



California Public Employees' Retirement System
Performance Review – September 30, 2011

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November 2011

Asset Class Assumptions Update



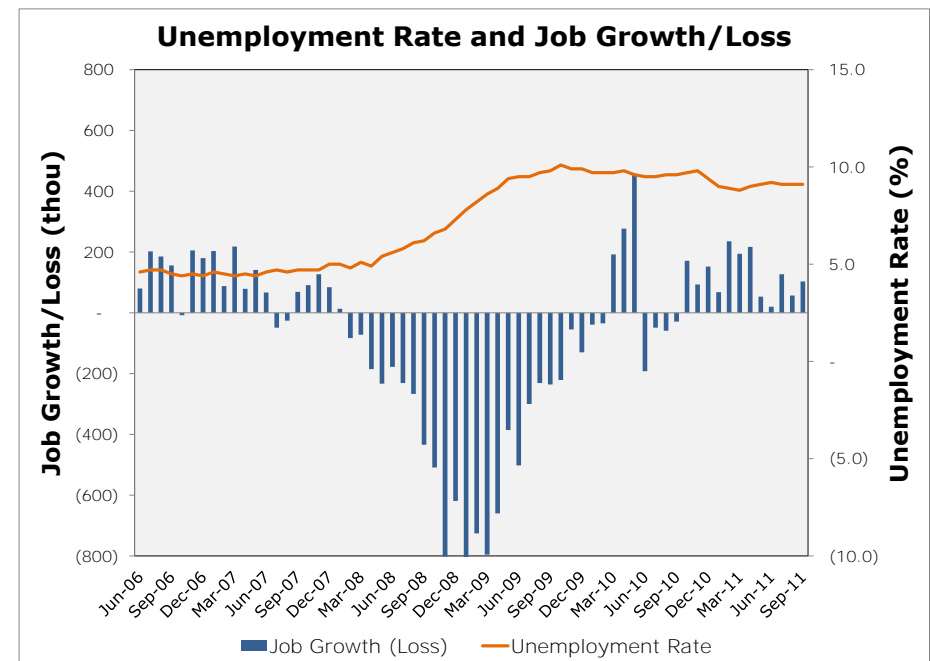
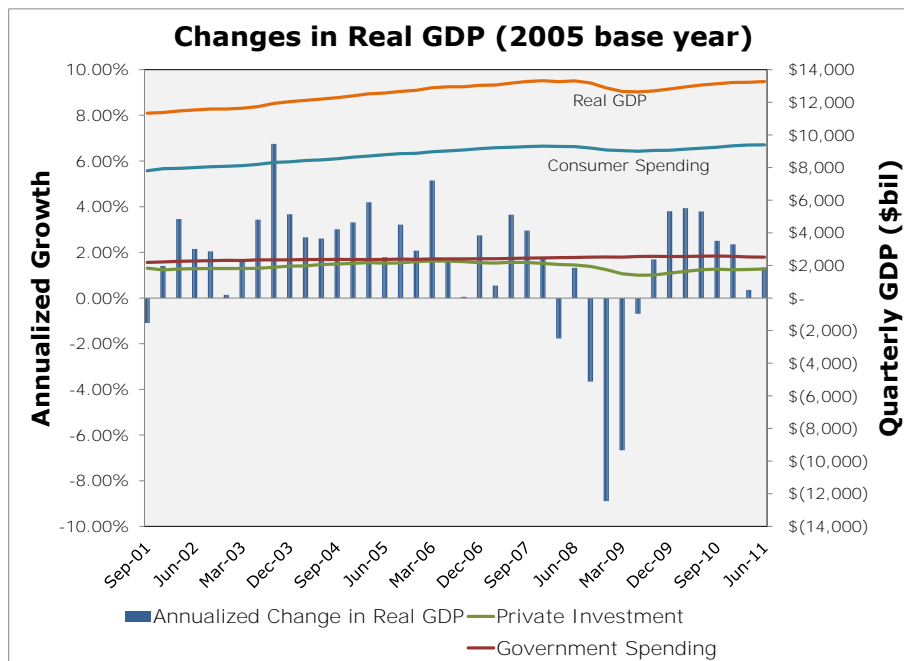
	Total Return (%)			Risk (%)
	2011 ACA	Update 30-Sep	Change	2011 ACA
<u>Investment Categories:</u>				
U.S. Stocks	7.25	7.75	0.50	16.00
Dev ex-U.S. Stocks	7.25	7.75	0.50	17.00
Emerging Mkt Stocks	7.25	7.75	0.50	24.00
Global Stocks	7.50	8.00	0.50	16.00
Private Markets	9.70	11.00	1.30	26.00
Cash Equivalents	2.50	1.75	(0.75)	1.25
Core Bonds	3.75	3.00	(0.75)	5.00
LT Core Bonds	4.75	3.25	(1.50)	10.00
TIPS	3.25	1.75	(1.50)	6.00
High Yield Bonds	5.50	5.75	0.25	10.00
Non-U.S. Bonds (Hdg)	3.40	2.65	(0.75)	4.00
U.S. RE Securities	5.50	4.75	(0.75)	15.00
Private Real Estate	6.30	5.50	(0.80)	12.25
Commodities	4.25	3.75	(0.50)	13.00
<u>Inflation:</u>	2.25	1.75	(0.50)	1.75
<u>Total Returns minus Inflation:</u>				
U.S. Stocks	5.00	6.00	1.00	
U.S. Bonds	1.50	1.25	(0.25)	
Cash Equivalents	0.25	-	(0.25)	
<u>Stocks minus Bonds:</u>	3.50	4.75	1.25	
<u>Bonds minus Cash:</u>	1.25	1.25	-	

Economic Review



September 30, 2011		Key Economic Indicators			
CPI (all items)		Monthly Change		Cumulative Change	
Seasonally adjusted	Sep-11	0.3		3-Month	1.2
	Aug-11	0.4		12-Month	3.9
	Jul-11	0.5		10-Yr Annual	2.5
Breakeven Inflation		10-Year	1.8		
Consumer Sentiment		Sep-11	59.4		
Unv. of Michigan Survey	Aug-11	55.7			
	1-Yr Ago	68.2		10-Yr Avg	80.8
Manufacturing		Sep-11	51.6	Change in Manufacturing Sector	
Inst. for Supply Mgmt	Aug-11	50.6		>50	Expansion
	1-Yr Ago	56.6		<50	Contraction

Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.

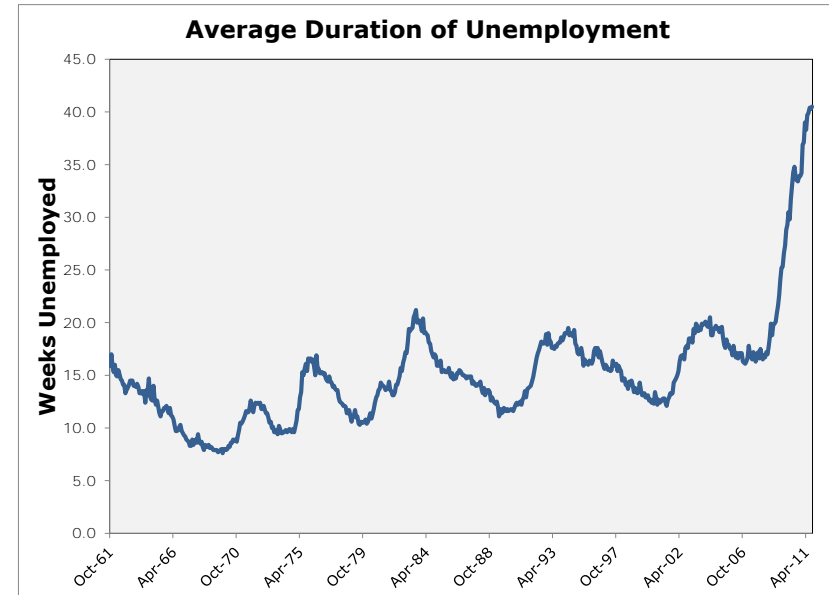


Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital

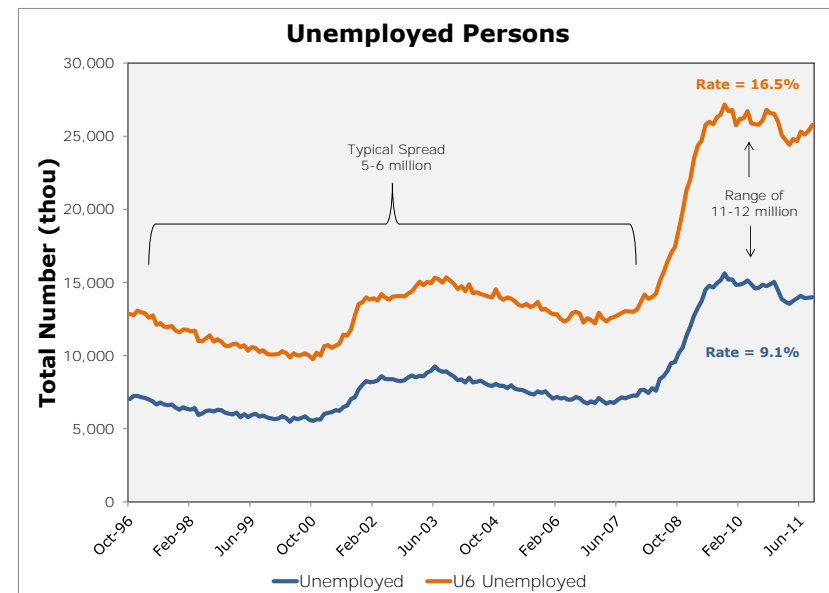


Employment Conditions

After a decades-long, gradual increase, average time unemployed is now more than double previous highs



Broader unemployment measurement (U6) includes workers who are “marginally attached” and “part-time for economic reasons”

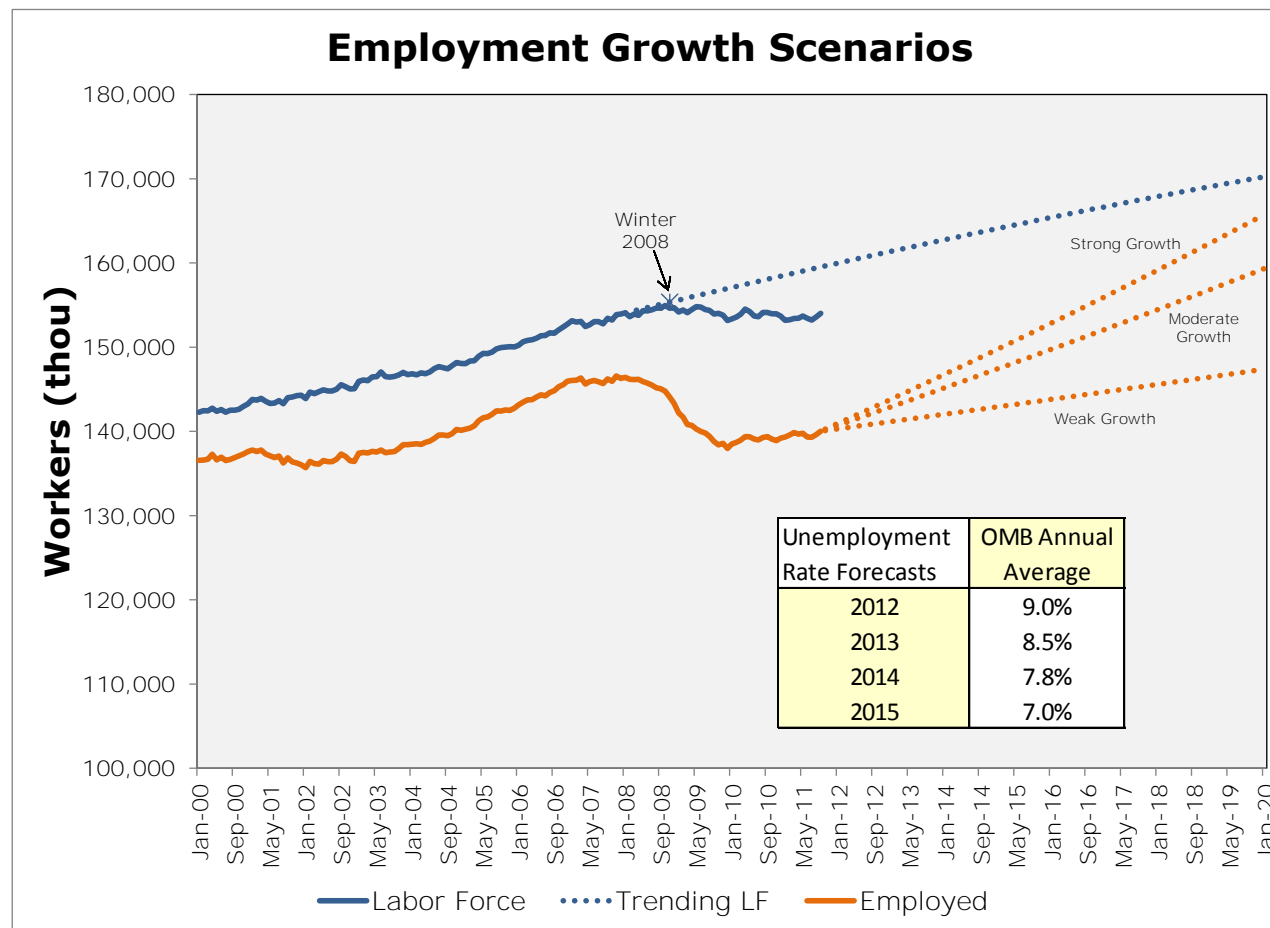


Data sources: Bureau of Labor Statistics



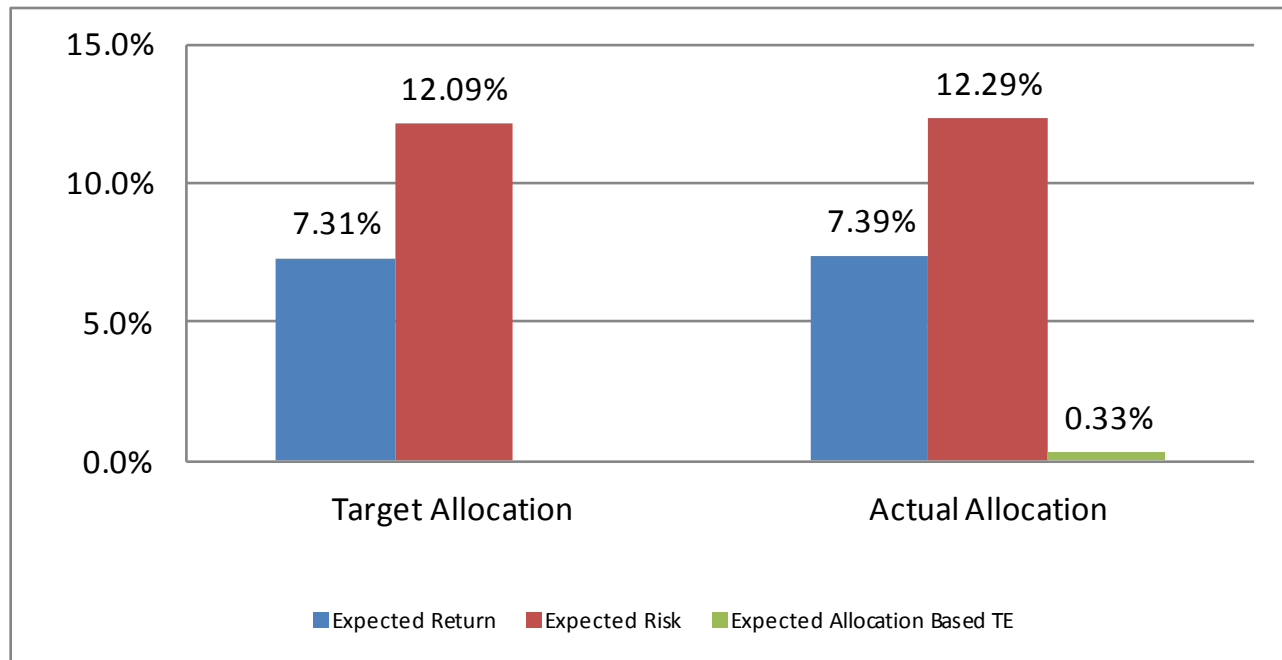
Employment Conditions

Labor Force stagnated as employment shrank; based on historical recoveries and a recent forecast from the Office of Management and Budget, unemployment is likely to remain high for years



Data sources: Bureau of Labor Statistics, Office of Management and Budget

CalPERS Investments are Expected to Provide Return

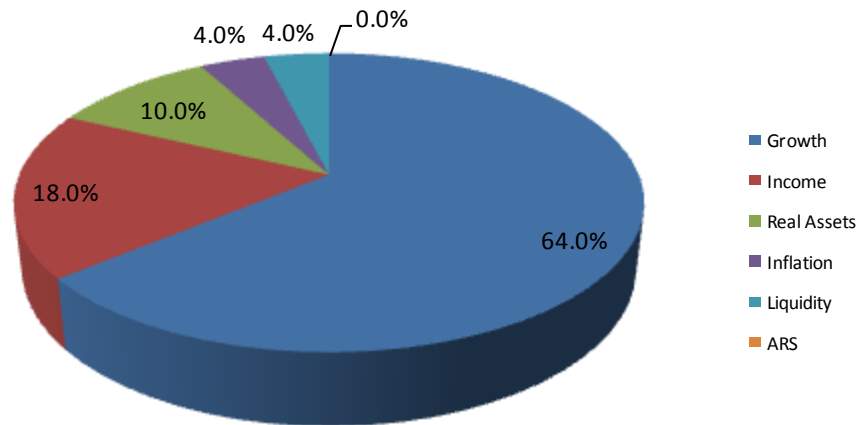


Forecasts using Wilshire's 2011 Asset Class Assumptions

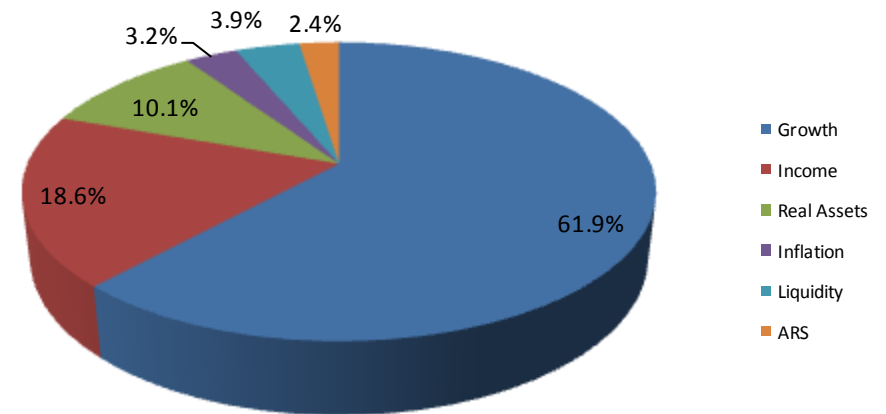


Asset and Risk Allocation

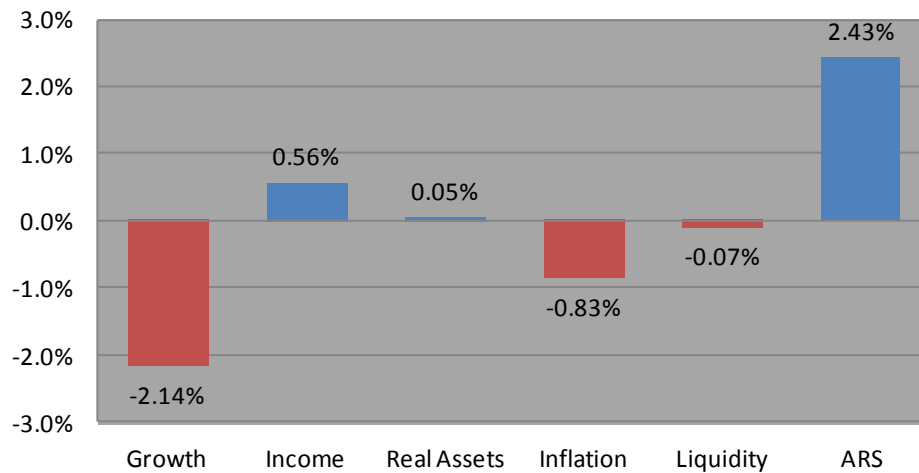
Target Asset Allocation



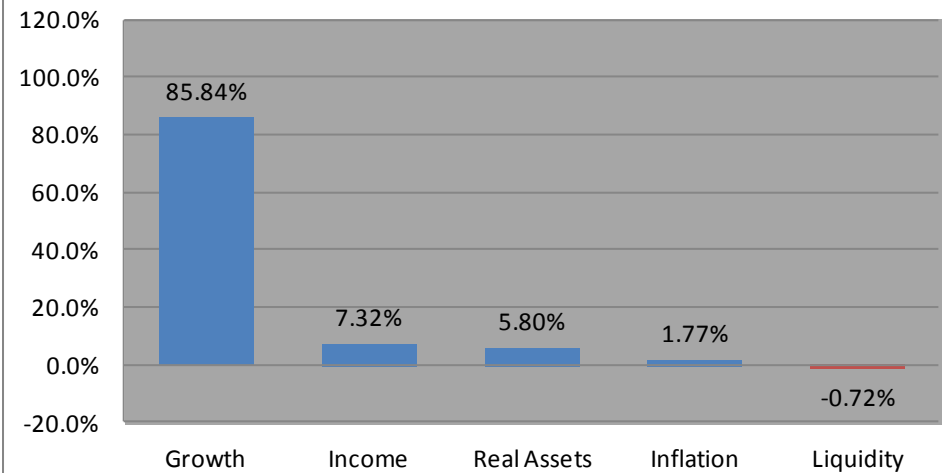
Actual Asset Allocation



PERS Asset Allocation Variance



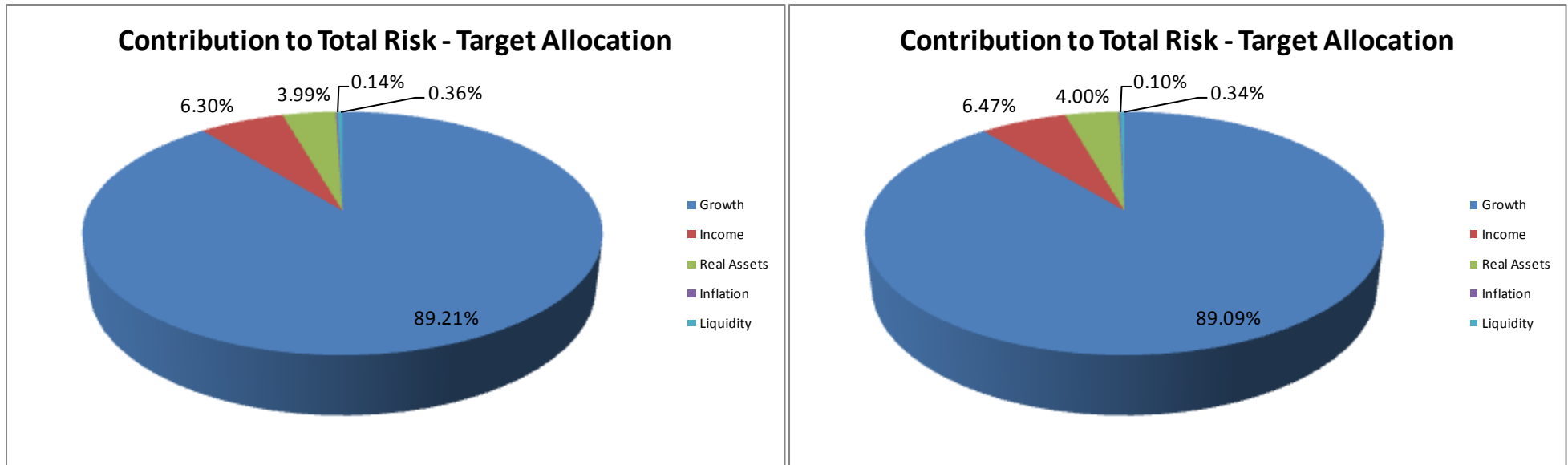
Contribution to TF Tracking Error



Forecasts using Wilshire's 2011 Asset Class Assumptions.



Drivers of Expected Tracking Error



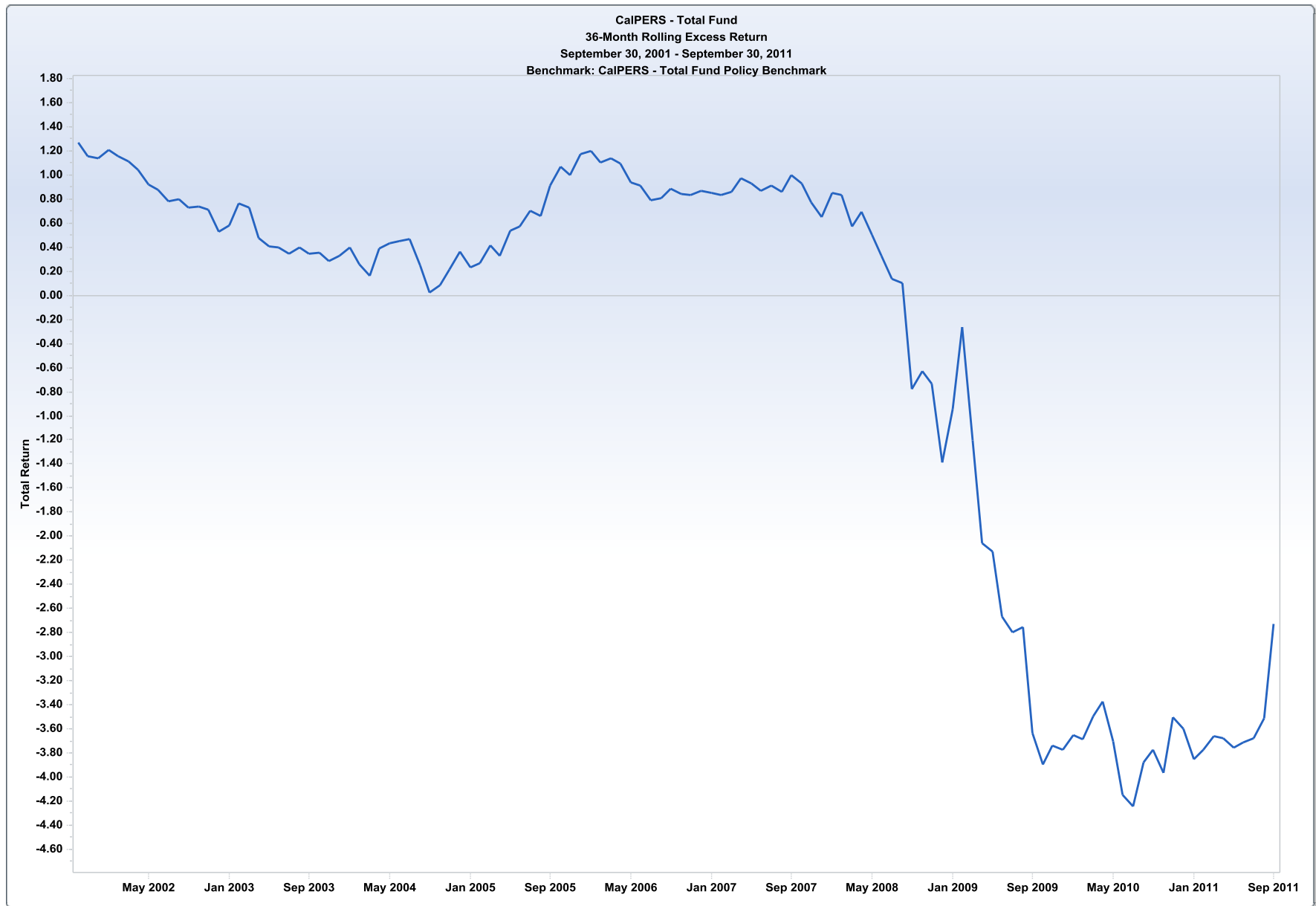
- This tracking error forecast is based on asset allocation variance only.
- Other sources of tracking error (structural within asset classes, manager/program specific source of tracking error, covariance) are not considered here.



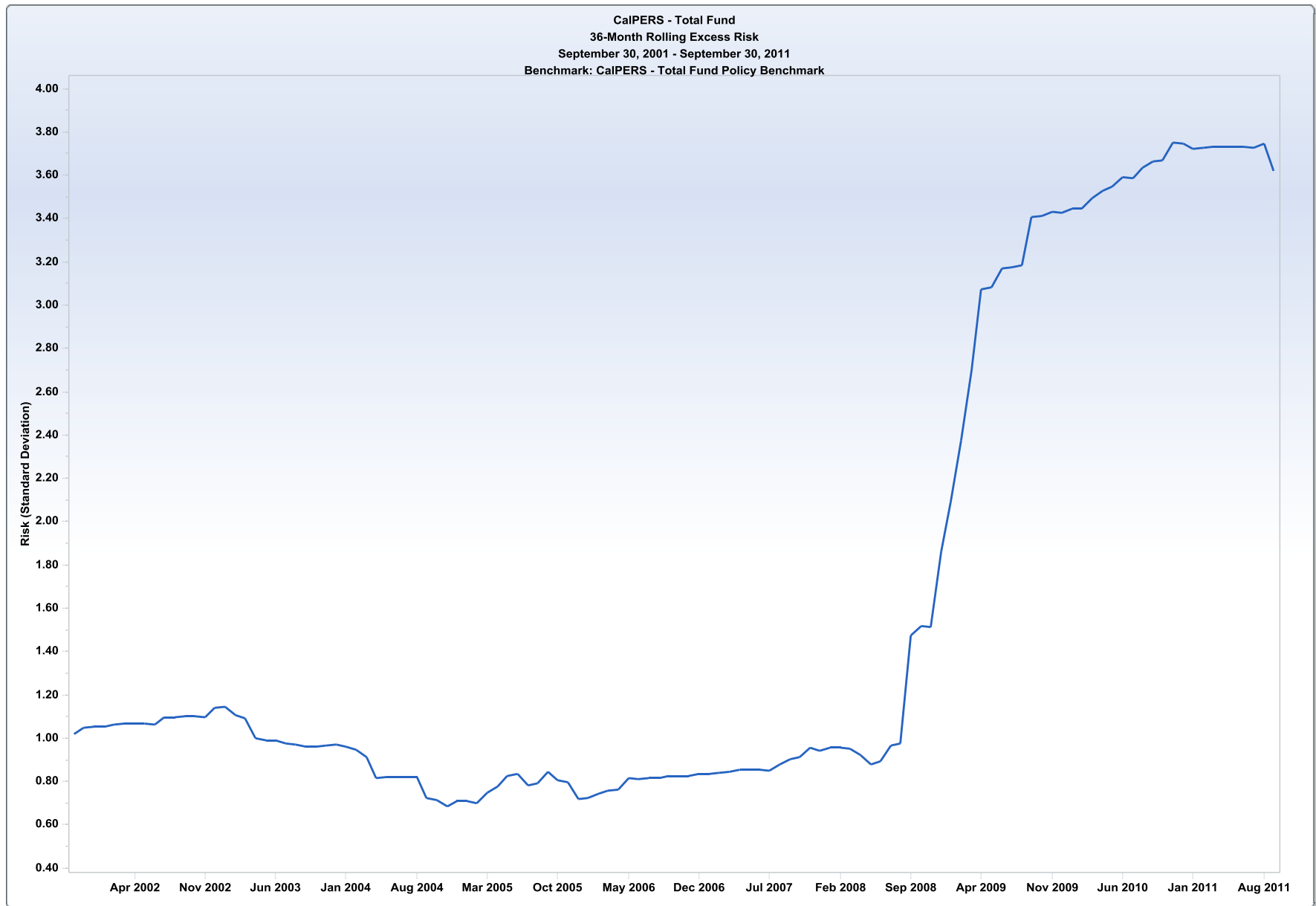
Total Fund – Performance

	Market Value	Five-Year Ratios							
		Qtr	1 Year	3 Year	5 Year	10 Year	VaR ¹²	Sharpe ¹³	Info ¹⁴
TOTAL FUND	\$219.4 bil	-7.0%	4.0%	2.2%	1.0%	5.4%	\$29.3 bil	-0.1	-0.8
<i>Total Fund Policy Benchmark</i> ²		-7.2%	4.6%	5.1%	3.3%	6.4%		0.1	0.0
<i>Actuarial Rate</i>		1.9%	7.8%	7.8%	7.8%	7.8%			
<i>TUCS Public Fund Median</i>		-8.9%	1.3%	4.2%	2.2%	5.5%			
<i>Wilshire Large Fund Universe Median</i>		-8.3%	2.4%	4.0%	2.2%	5.7%			
GROWTH	134.7	-13.3%	1.3%	1.8%	0.3%	5.3%	\$24.4 bil	-0.1	-0.5
<i>Growth Policy Benchmark</i> ³		-14.2%	1.5%	3.8%	1.7%	5.9%		0.0	0.0
PUBLIC EQUITY	100.5	-17.9%	-5.8%	0.9%	-1.6%	4.5%	\$17.3 bil	-0.2	-0.5
<i>Public Equity Policy Benchmark</i> ⁴		-18.1%	-6.6%	1.6%	-0.8%	4.8%		-0.1	0.0
<i>TUCS Equity Median</i>		-17.3%	-2.4%	1.6%	-0.9%	4.8%			
PRIVATE EQUITY	34.2	3.7%	28.4%	6.1%	10.2%	8.9%	\$9.9 bil	0.8	-0.3
<i>Private Equity Policy Benchmark</i> ⁵		0.8%	35.9%	13.9%	14.2%	10.2%		1.0	0.0
INCOME	40.7	6.5%	8.5%	13.6%	8.8%	7.9%	\$5.2 bil	1.0	0.1
<i>Income Policy Benchmark</i> ⁶		7.8%	8.8%	11.3%	8.4%	7.3%		1.0	0.0
<i>TUCS Fixed Income Median</i>		0.8%	4.3%	8.9%	6.4%	6.4%			
REAL ASSETS ⁷	22.1	2.4%	12.9%	-17.2%	-10.8%	3.0%	\$2.5 bil	-0.8	-1.2
<i>Real Assets Policy Benchmark</i> ⁸		2.3%	15.4%	0.0%	5.4%	9.7%		0.5	0.0
INFLATION	7.0	-2.7%	10.9%	0.3%	-.-%	-.-%	\$0.6 bil	N/A	N/A
<i>Inflation Policy Benchmark</i> ⁹		-1.6%	6.9%	1.4%	-.-%	-.-%		N/A	N/A
LIQUIDITY	8.6	3.1%	3.0%	1.4%	2.6%	2.6%	\$0.4 bil	N/A	N/A
<i>Liquidity Policy Benchmark</i> ¹⁰		3.5%	3.6%	1.6%	2.7%	2.5%		N/A	N/A
ABSOLUTE RETURN STRATEGIES ¹¹	5.3	-1.5%	2.3%	3.3%	2.5%	-.-%		0.1	-0.7
<i>Absolute Return Strategies Policy Benchmark</i> ¹¹		1.4%	5.6%	6.3%	7.9%	-.-%		6.4	0.0
CURRENCY + ASSET ALLOCATION TRANSITION	0.9	-.-%	-.-%	-.-%	-.-%	-.-%			

Total Fund – Rolling Excess Returns



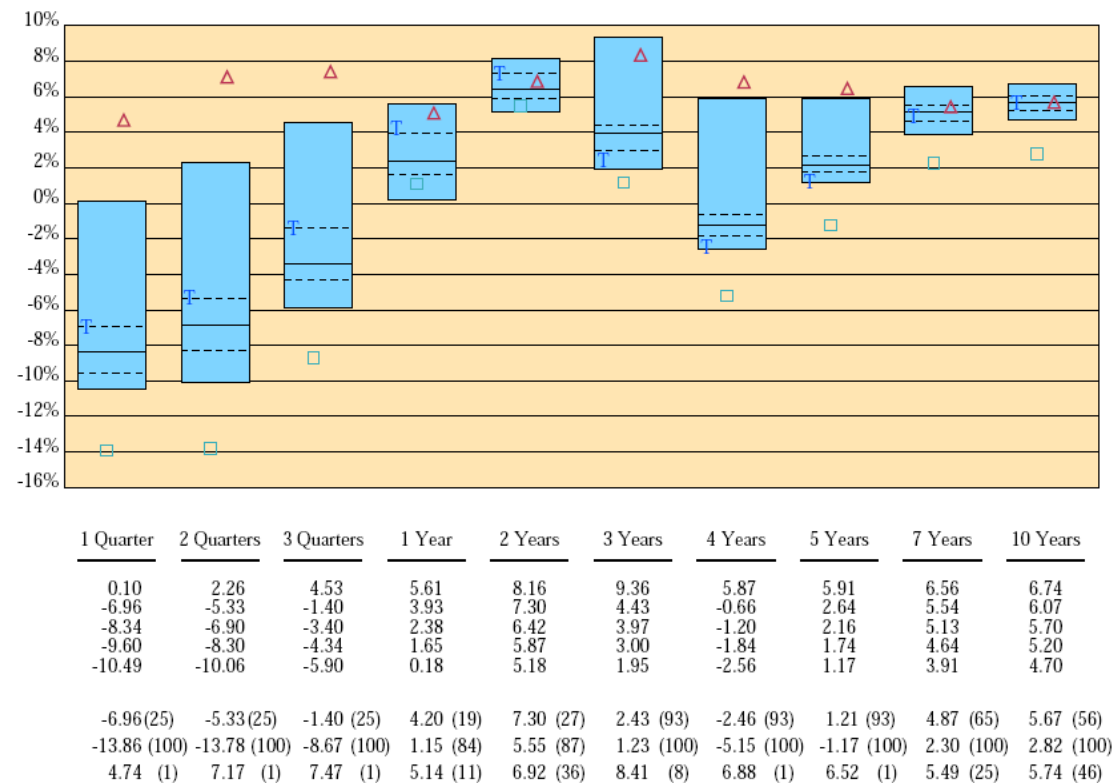
Total Fund – Rolling Tracking Error



Total Fund – Universe Comparison



California Public Employees Retirement
Total Returns of Public Funds > \$10 Billion
Rates of Return for Periods Ending September 30, 2011

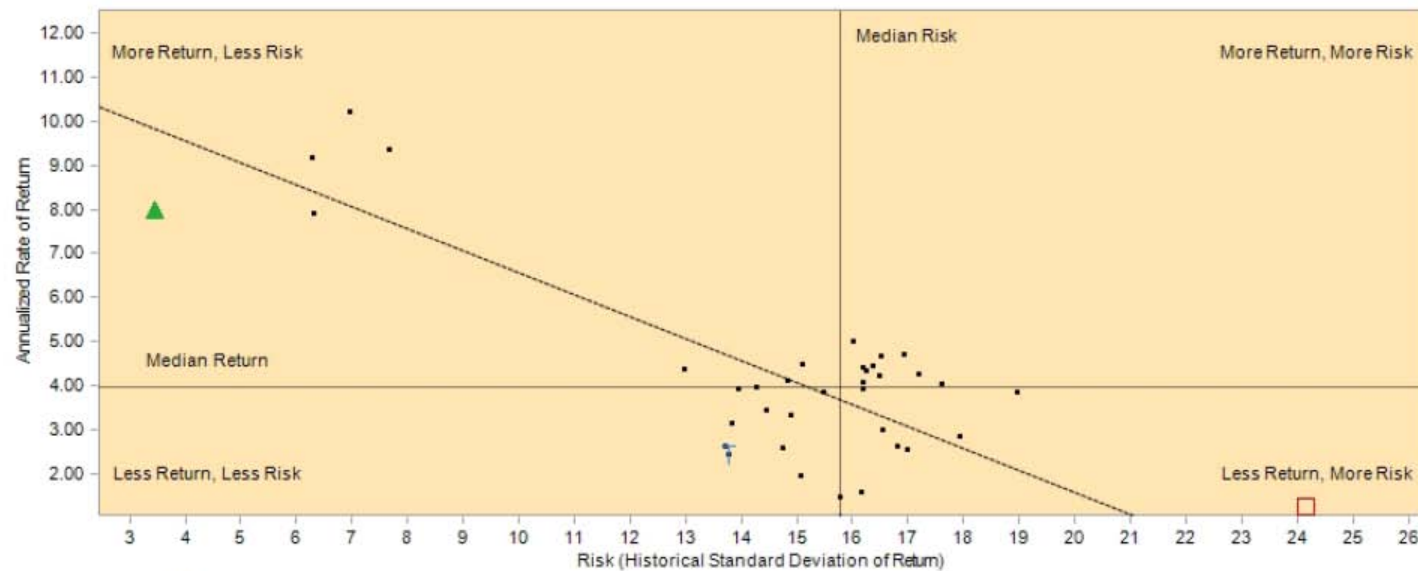


Returns for periods greater than one year are annualized.

GOF returns are used in universe comparison.

Risk and Return – Universe Analysis

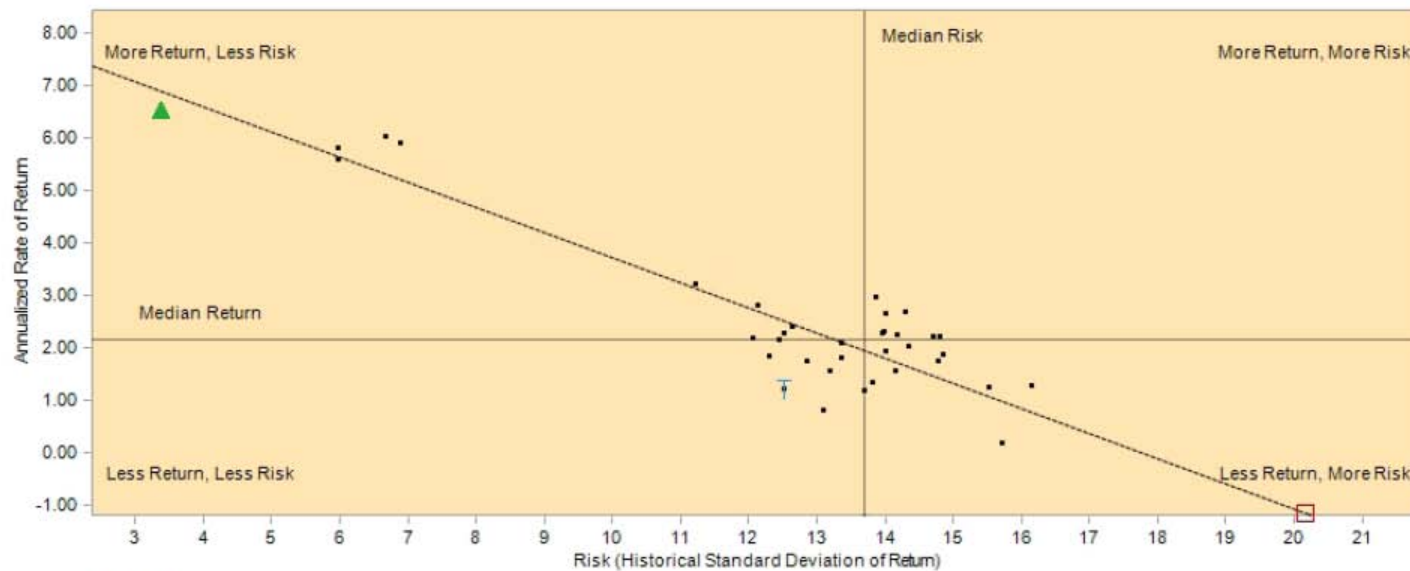
California Public Employees Retirement System Risk vs Total Returns of Public Funds > \$10 Billion 3 Years Ending September 30, 2011



	Risk Value	Risk Rank	Return Value	Return Rank
Total Plan - Composites	13.77	84	2.43	93
S&P 500	24.17	1	1.23	100
Barclays Aggregate	3.45	100	7.97	8
Median	15.77		3.97	

Risk and return – Universe Analysis

California Public Employees Retirement System Risk vs Total Returns of Public Funds > \$10 Billion 5 Years Ending September 30, 2011

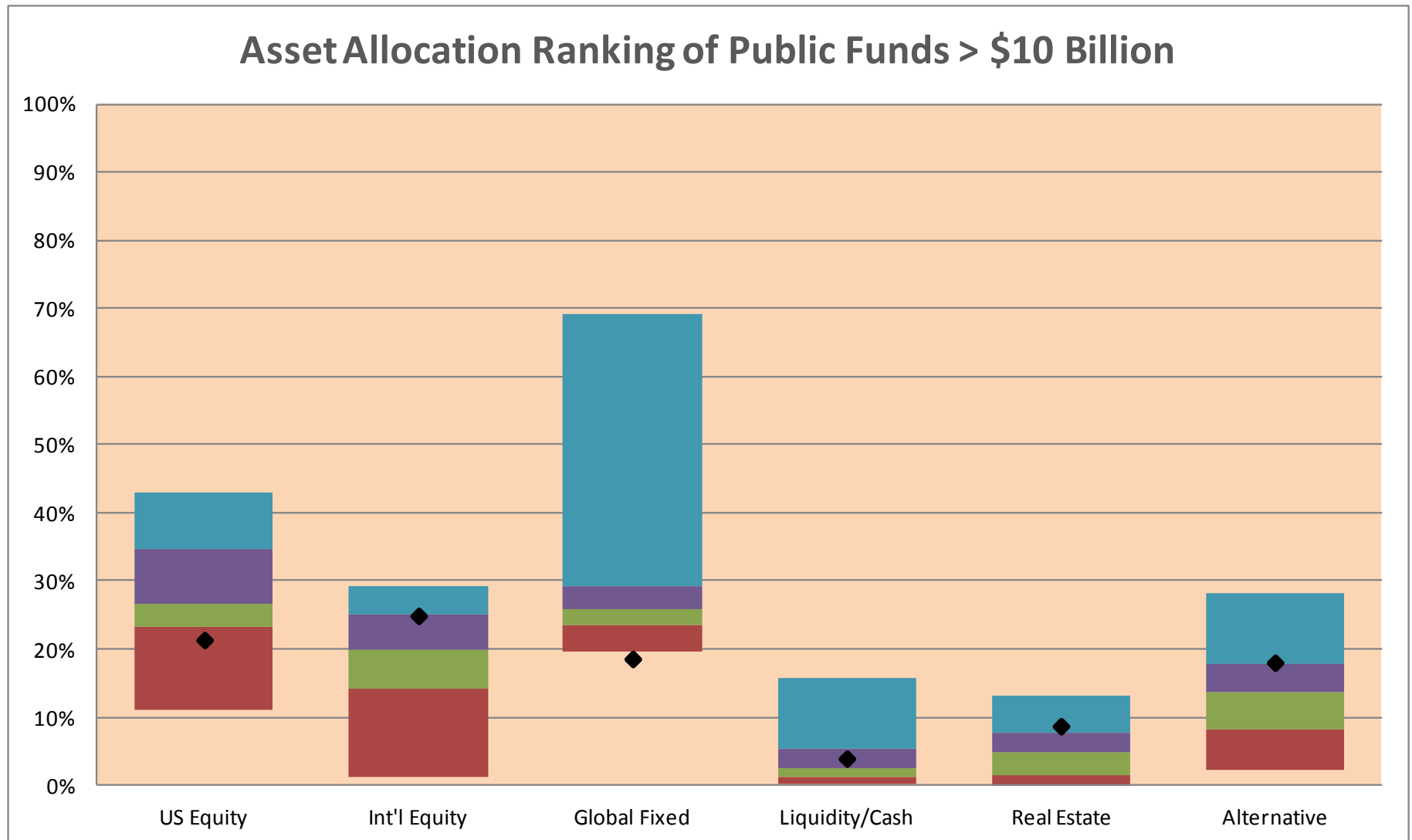


Alpha: 8.52
Beta: -0.48
R-Squared: 0.79

	Risk Value	Risk Rank	Return Value	Return Rank
T Total Plan - Composites	12.52	75	1.21	93
S&P 500	20.16	1	-1.17	100
▲ Barclays Aggregate	3.37	100	6.53	1
Median	13.70		2.16	

Asset Allocation Ranking – Universe Analysis

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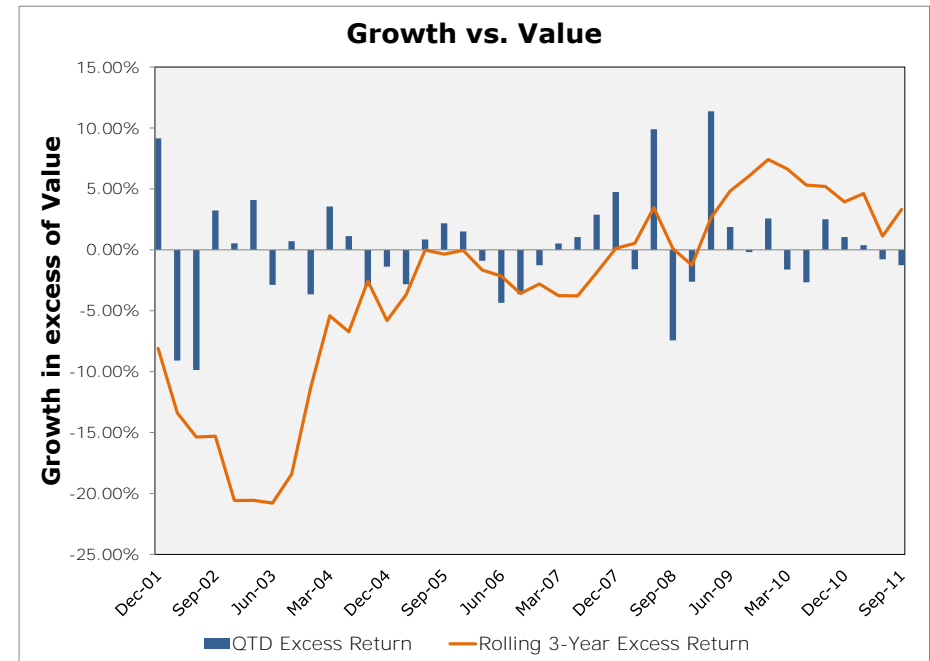
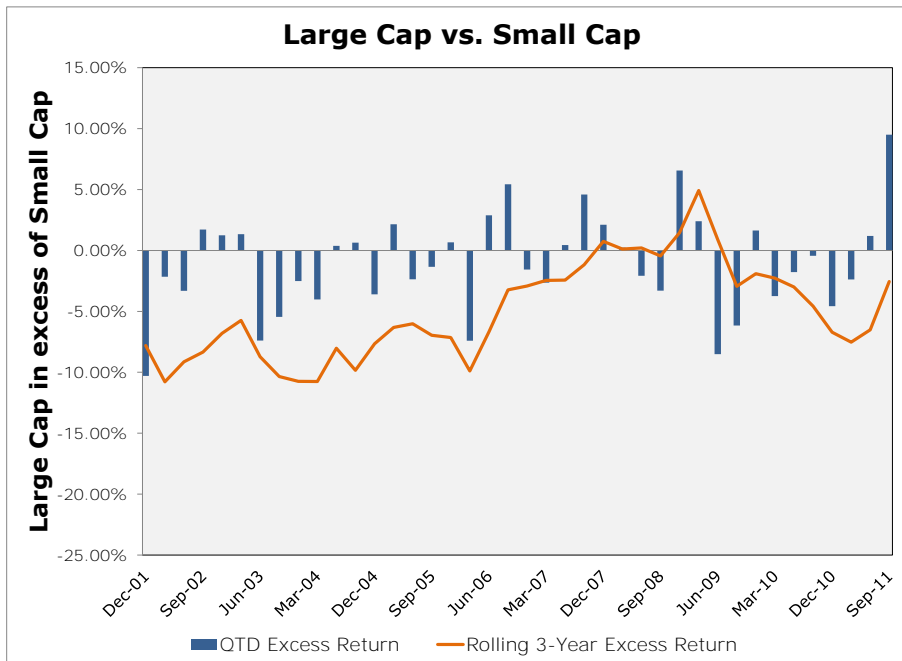
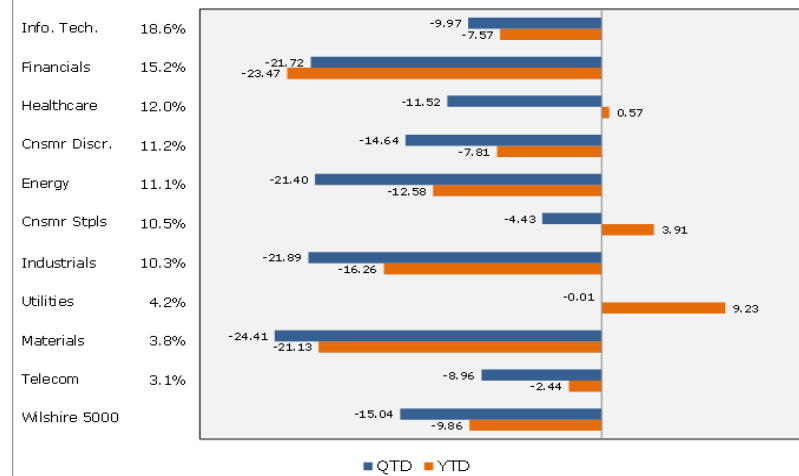
CalPERS	US Equity	Int'l Equity	Global Fixed	Liquidity/Cash	Real Estate	Alternative
Weight%(Rank)	21.35% (81)	24.90% (25)	16.92% (92)	3.94% (34)	8.70% (21)	18.02% (21)

U.S. Capital Markets: Equity



September 30, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	-15.0	-9.9	0.6	1.5	-0.8	3.8
Wilshire U.S. Large Cap	-14.2	-9.1	0.9	1.2	-0.9	3.3
Wilshire U.S. Small Cap	-21.7	-15.9	-2.2	3.9	1.2	8.1
Wilshire U.S. Large Growth	-14.9	-10.3	0.1	2.8	0.8	3.1
Wilshire U.S. Large Value	-13.6	-7.9	1.7	-0.4	-2.7	3.5
Wilshire U.S. Small Growth	-21.2	-13.4	1.0	5.9	2.7	8.3
Wilshire U.S. Small Value	-22.1	-18.5	-5.4	1.9	-0.4	7.9
Wilshire REIT Index	-14.6	-5.4	2.1	-2.0	-3.1	9.1
MSCI USA Minimum Volatility Index	-6.4	1.4	8.8	3.1	1.4	3.5
FTSE RAFI U.S. 1000 Index	-15.8	-11.0	-0.4	4.8	0.1	n.a.

Wilshire 5000 Sector Weight & Return (%)

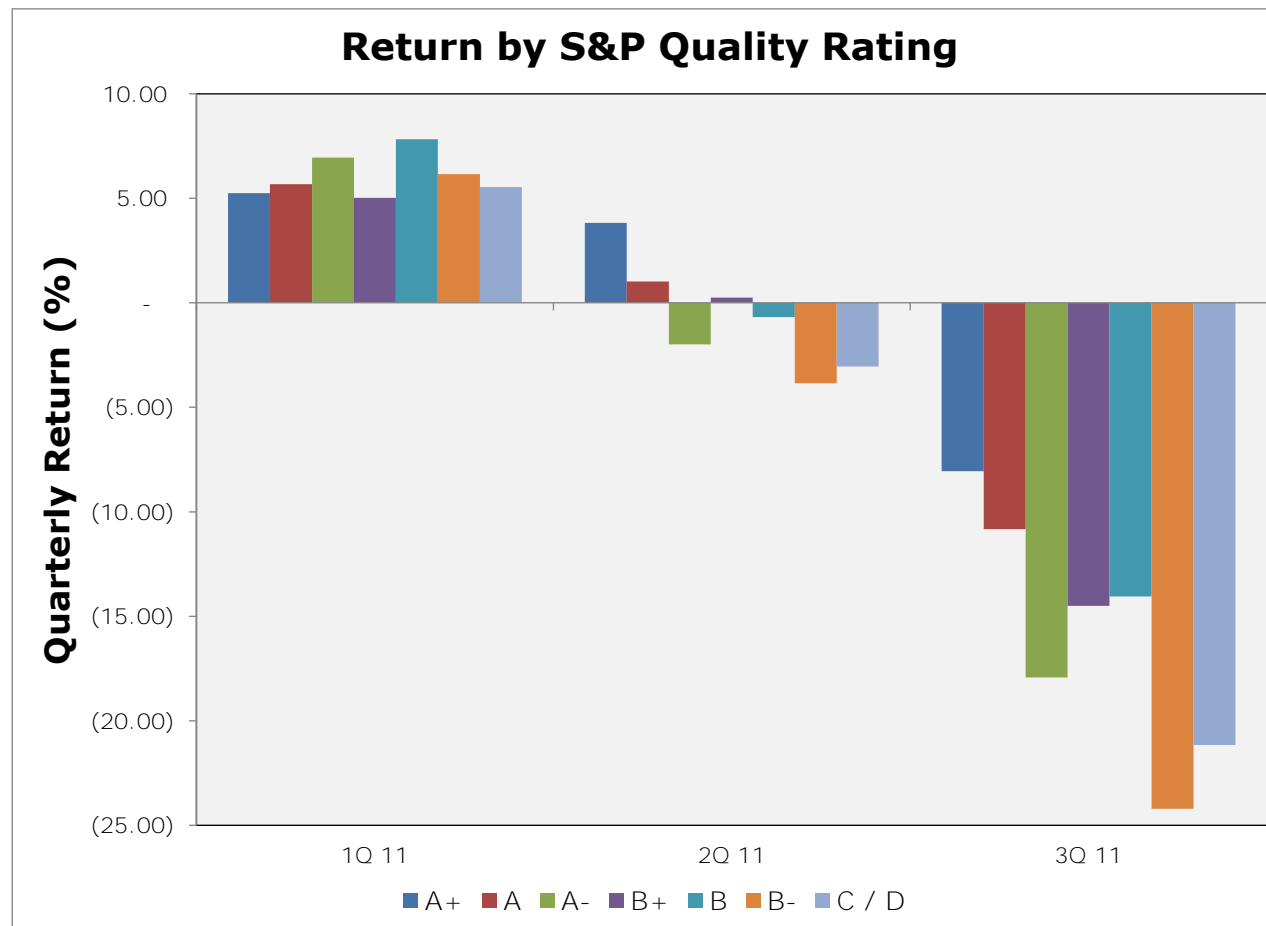


Data sources: Wilshire Compass, Wilshire Atlas



Returns by Quality Segment

After the Q1 tide lifted all boats, higher quality stocks have been fairing better

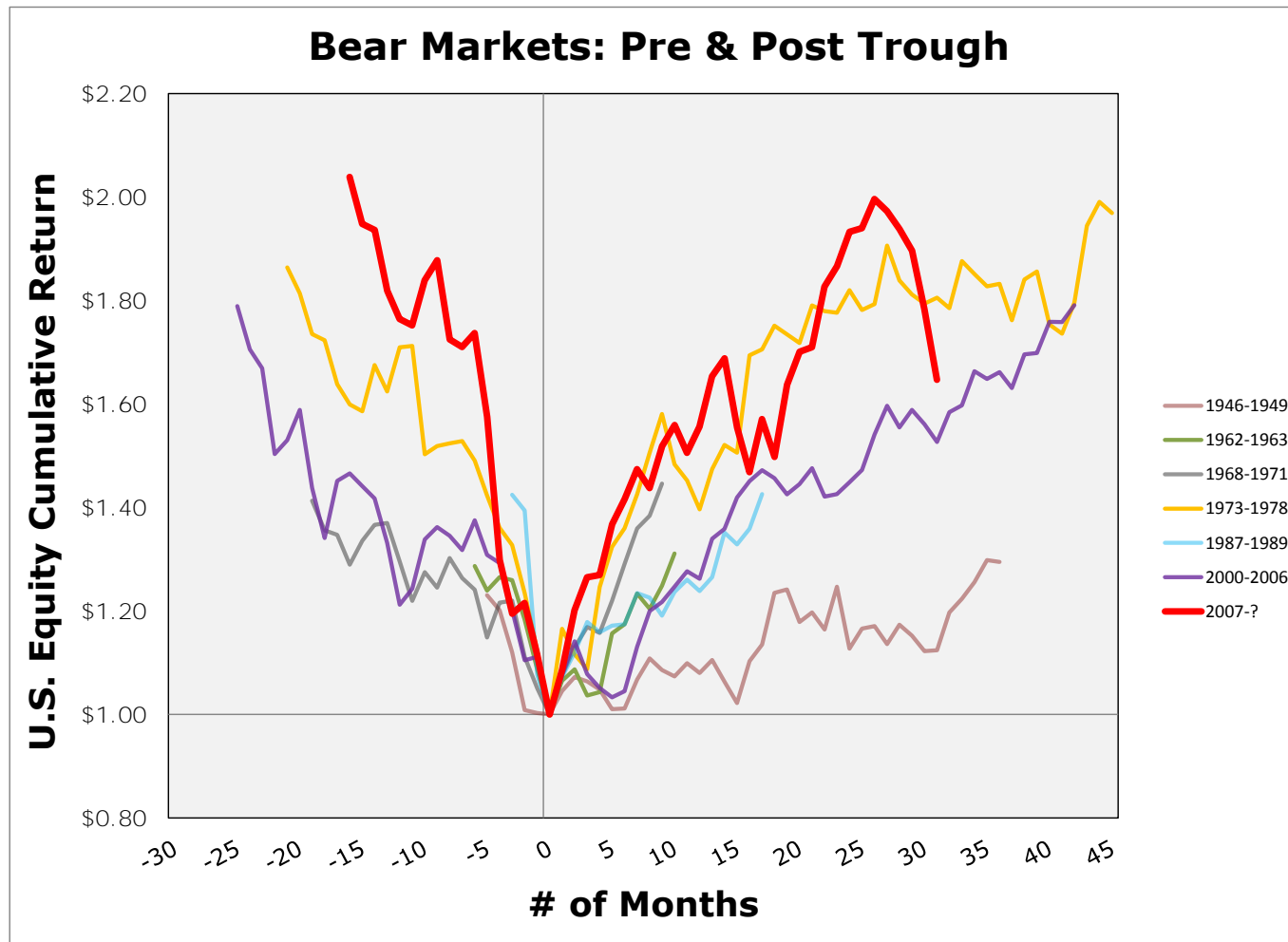


Data sources: Wilshire Atlas



Historical Bear Markets *(post Depression)*

Credit crisis sell-off most severe since Great Depression; still recovering thanks in part to recent correction



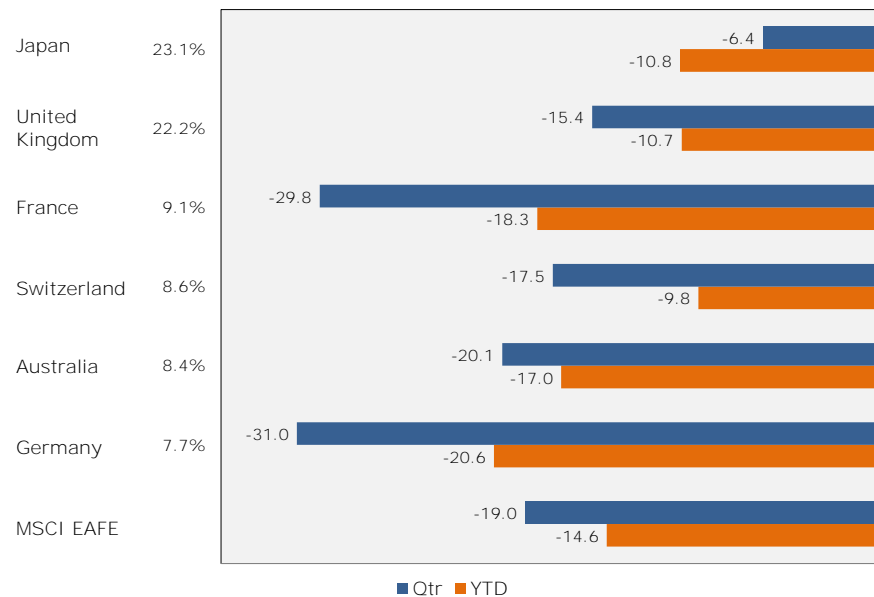
Data sources: Wilshire Compass

Non-U.S. Capital Markets

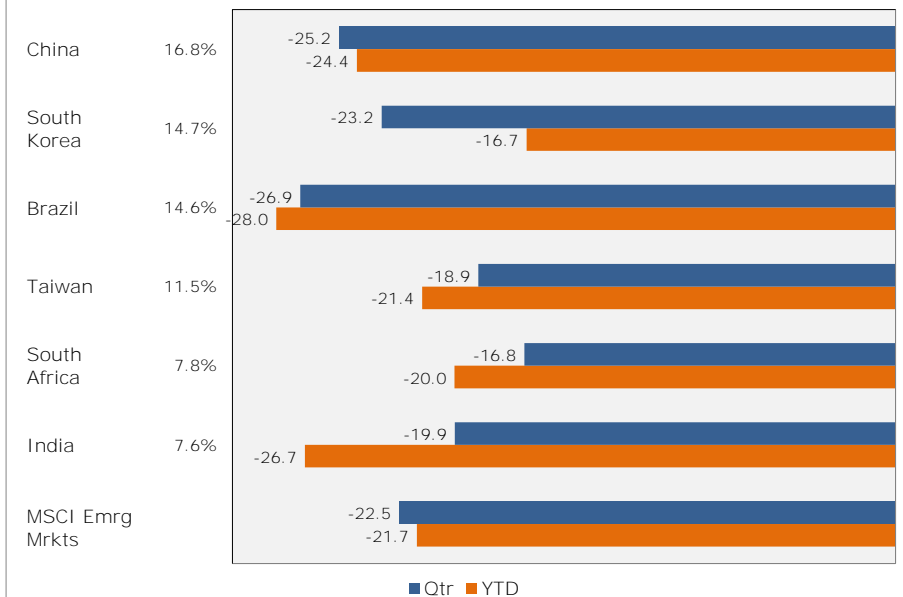


September 30, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	-19.8	-16.5	-10.4	1.0	-1.1	7.3
MSCI EAFE (\$g)	-19.0	-14.6	-8.9	-0.7	-3.0	5.5
MSCI Emerging Markets (\$g)	-22.5	-21.7	-15.9	6.6	5.2	16.4
MSCI Frontier Markets (\$g)	-12.0	-16.8	-10.1	-11.0	-4.2	n.a.
MSCI EAFE Minimum Volatility Idx	-7.7	-2.0	0.9	4.2	2.3	n.a.
FTSE RAFI Developed ex-US Index	-21.5	-16.7	-11.4	0.5	-1.7	n.a.
JPM Non US Global Bond	1.4	6.2	4.7	9.0	8.3	8.2
JPM Non US Global Bond Hedged	4.1	5.3	2.9	5.4	4.9	4.7
JPM EMBI Global	-1.8	3.2	1.3	11.7	7.8	10.5
Euro vs. Dollar	-7.4	0.0	-1.7	-1.6	1.1	3.9
Yen vs. Dollar	4.8	5.2	8.4	11.3	8.9	4.4
Pound vs. Dollar	-2.9	-0.5	-1.1	-4.4	-3.6	0.6

MSCI EAFE: Largest Countries and Return



MSCI EM: Largest Countries and Return



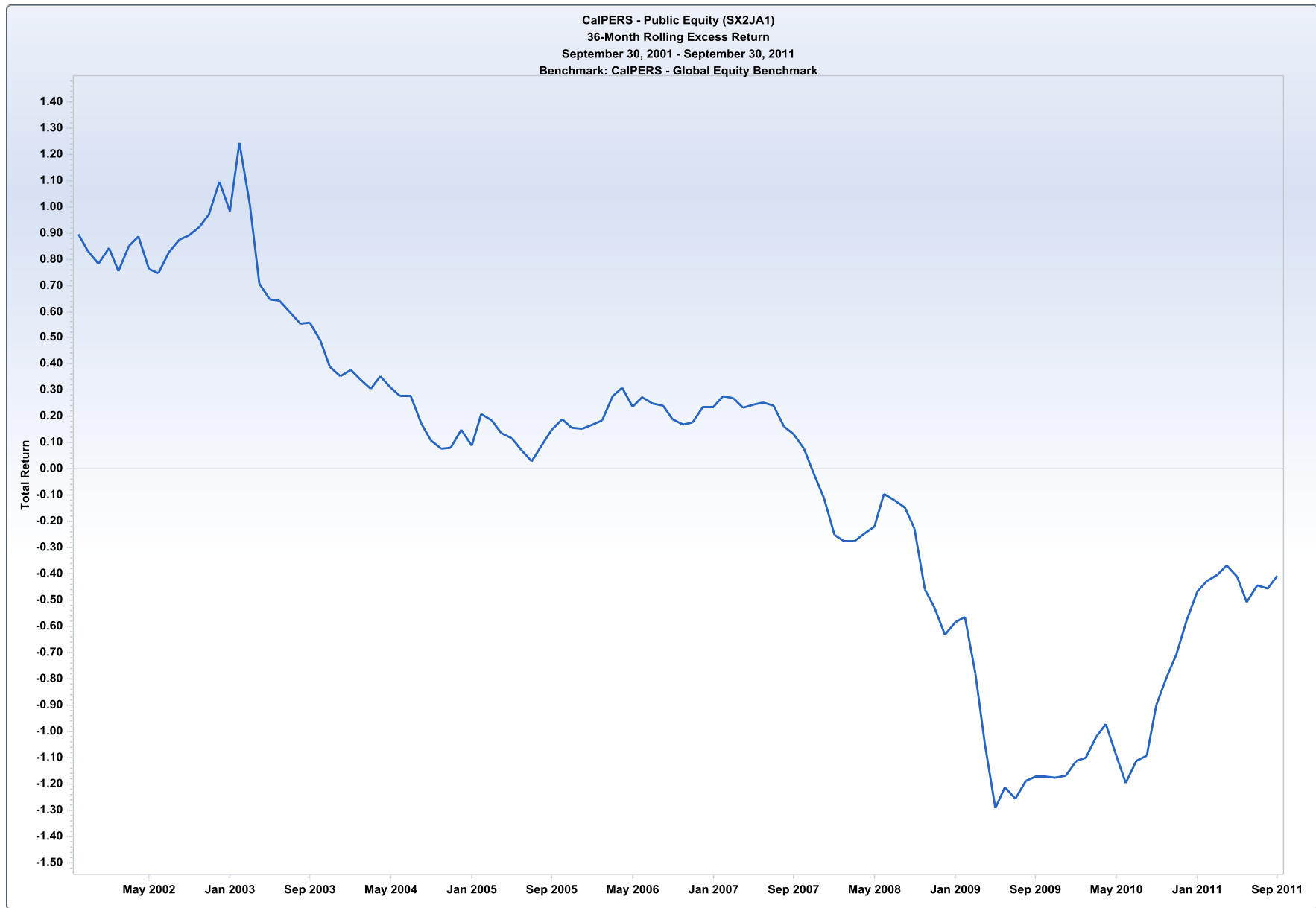
Data sources: Wilshire Compass, MSCI Barra

Growth: Public Equity – Performance

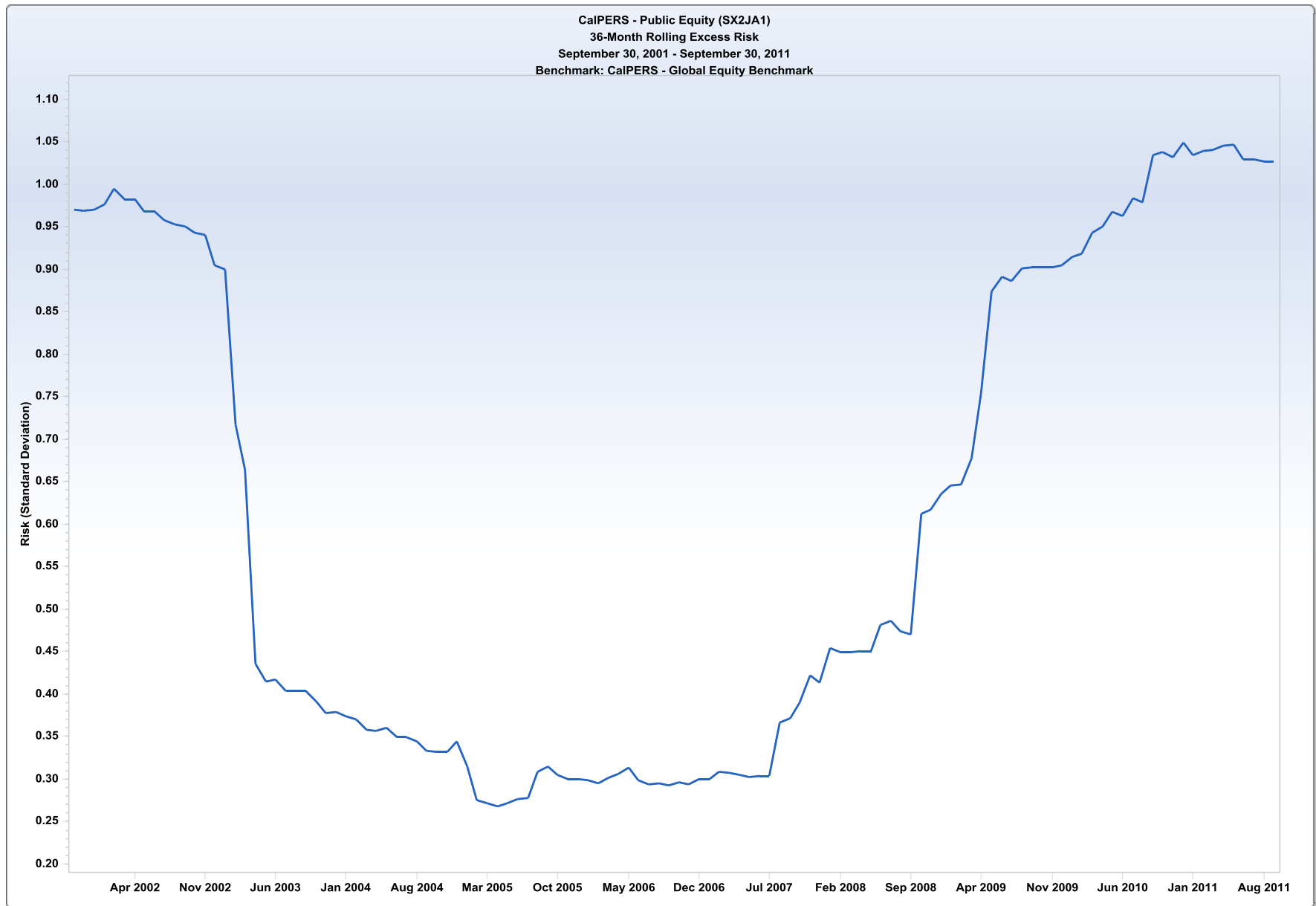


	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR²²	5-year Sharpe Ratio²³	5-year Info Ratio²⁴
PUBLIC EQUITY¹⁵	100.5	-17.9%	-5.8%	0.9%	-1.6%	4.5%	\$17.3 bil	-0.2	-0.5
<i>Public Equity Policy Benchmark¹⁶</i>		-18.1%	-6.6%	1.6%	-0.8%	4.8%		-0.1	0.0
<i>Value Added</i>		0.2%	0.8%	-0.7%	-0.8%	-0.3%			
US Equity Composite (ex ARS)	45.2	-15.5%	0.4%	1.6%	-0.9%	3.6%		-0.1	-0.1
<i>Custom US Equity Benchmark¹⁷</i>		-15.4%	0.2%	1.3%	-0.8%	3.5%		-0.1	0.0
<i>Value Added</i>		-0.1%	0.2%	0.3%	-0.1%	0.1%			
Total Int'l Equity (ex ARS)	53.7	-20.0%	-10.5%	1.3%	-1.4%	-.-%		-0.1	0.4
<i>Custom Int'l Equity Benchmark¹⁸</i>		-19.8%	-10.2%	0.1%	-1.9%	-.-%		-0.2	0.0
<i>Value Added</i>		-0.2%	-0.3%	1.2%	0.5%	-.-%			
Global Equity Equitization	1.6	-16.0%	-3.8%	-.-%	-.-%	-.-%			
<i>Custom Benchmark¹⁹</i>		-18.1%	-6.6%	-.-%	-.-%	-.-%			
<i>Value Added</i>		2.1%	2.8%	-.-%	-.-%	-.-%			

Growth: Public Equity – Rolling Excess Returns



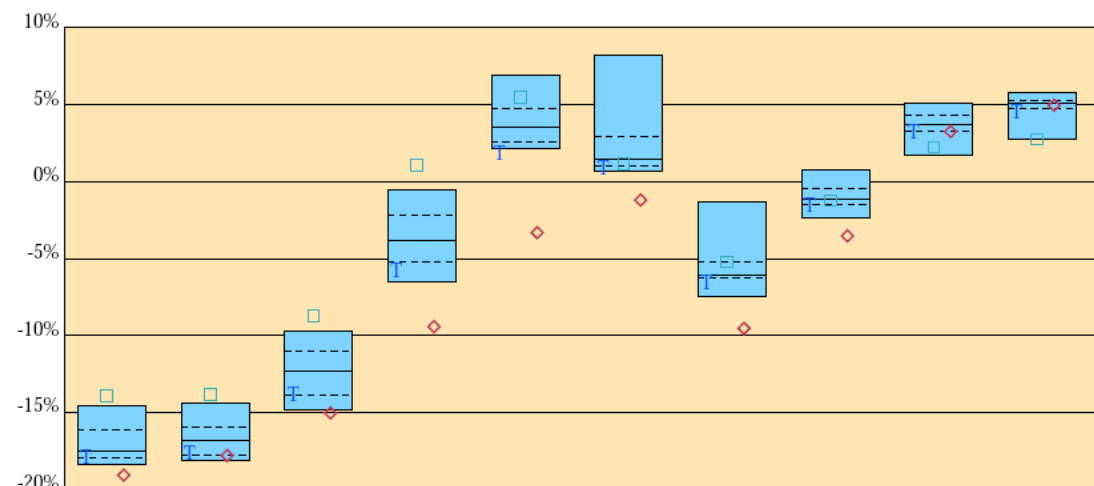
Growth: Public Equity – Rolling Tracking Error



Growth: Public Equity – Universe Comparison



California Public Employees Retirement
Equity Returns of Public Funds > \$10 Billion
Rates of Return for Periods Ending September 30, 2011



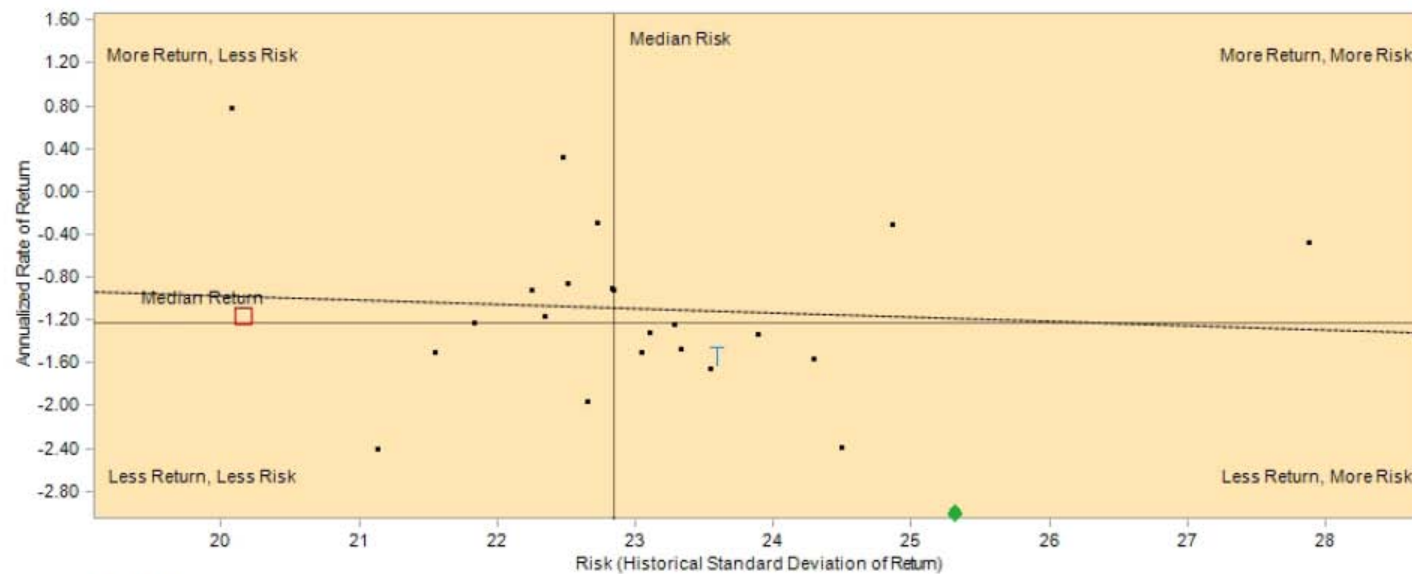
	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	-14.61	-14.42	-9.70	-0.57	6.89	8.24	-1.32	0.78	5.06	5.76
25th Percentile	-16.10	-15.95	-11.03	-2.16	4.71	2.90	-5.21	-0.48	4.35	5.31
Median	-17.47	-16.80	-12.33	-3.84	3.58	1.46	-6.06	-1.16	3.70	5.10
75th Percentile	-17.96	-17.80	-13.87	-5.20	2.58	1.05	-6.28	-1.50	3.30	4.75
95th Percentile	-18.39	-18.11	-14.81	-6.55	2.11	0.69	-7.45	-2.39	1.75	2.80
T Total Plan - Composites	-17.93 (67)	-17.64 (67)	-13.82 (67)	-5.73 (83)	1.88 (95)	0.93 (79)	-6.56 (84)	-1.53 (79)	3.26 (81)	4.50 (83)
□ S&P 500	-13.86 (1)	-13.78 (1)	-8.67 (1)	1.15 (1)	5.55 (5)	1.23 (62)	-5.15 (20)	-1.17 (50)	2.30 (93)	2.82 (91)
◇ MSCI EAFE (Net)	-19.01 (99)	-17.74 (71)	-14.98 (99)	-9.36 (99)	-3.25 (99)	-1.13 (99)	-9.47 (99)	-3.46 (100)	3.32 (68)	5.03 (56)

Returns for periods greater than one year are annualized.

GOF returns are used in universe comparison.

Growth – Public Equity – Risk and Return

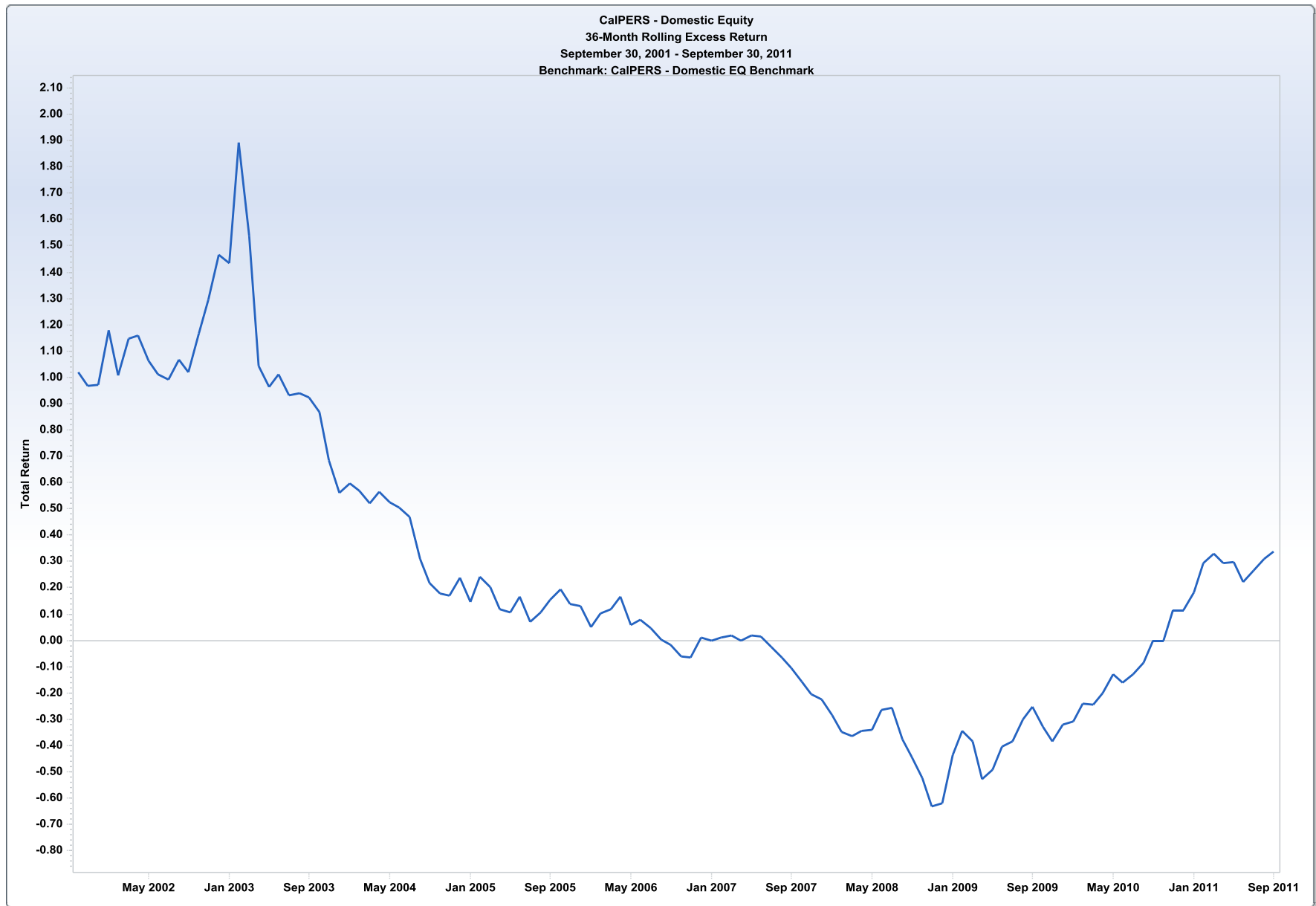
California Public Employees Retirement System Risk vs Total Equity Returns of Public Funds > \$10 Billion 5 Years Ending September 30, 2011



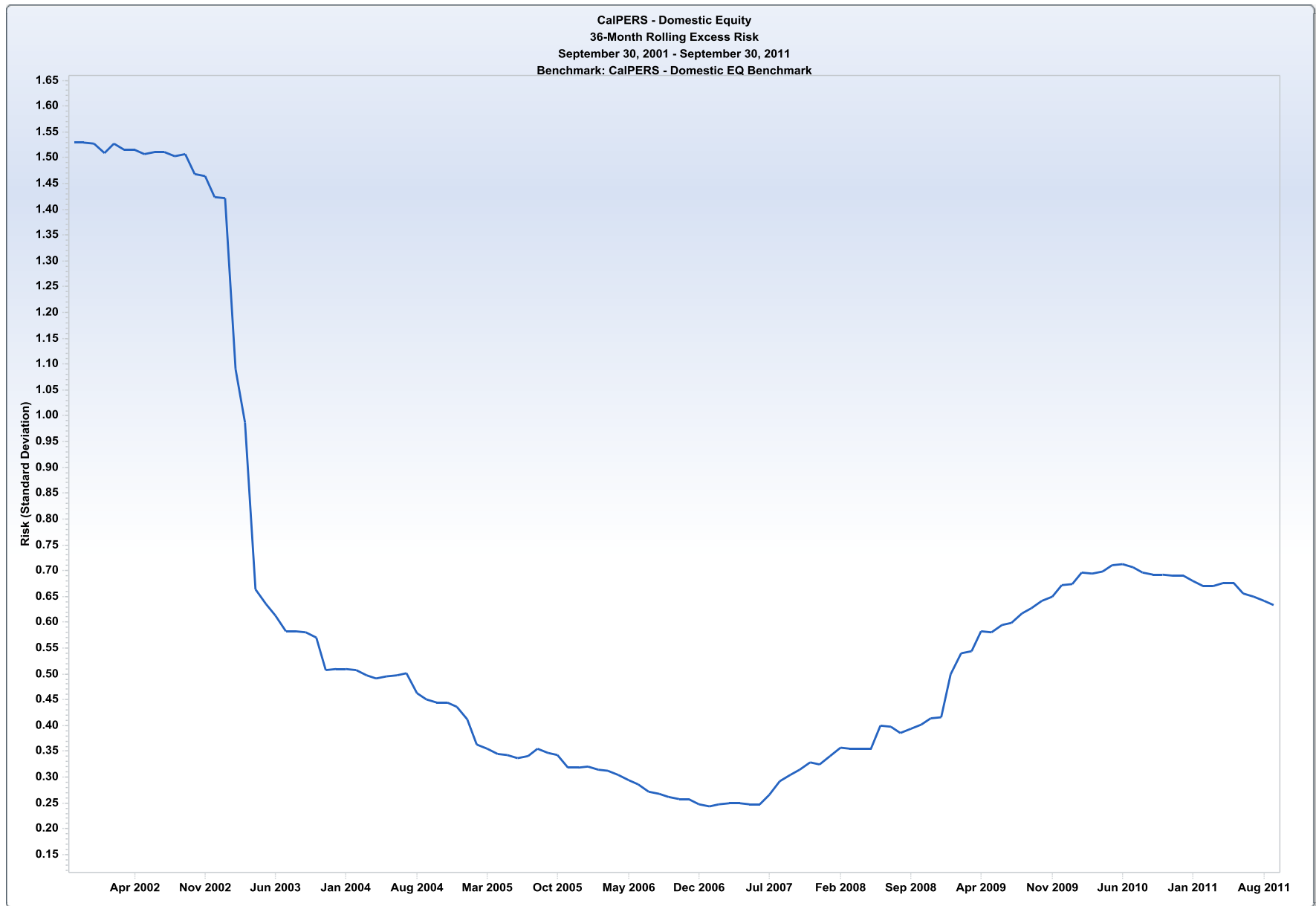
Alpha: -0.17
Beta: -0.04
R-Squared: 0.01

	Risk Value	Risk Rank	Return Value	Return Rank
Total Plan - Composites	23.59	25	-1.53	79
S&P 500	20.16	99	-1.17	45
MSCI EAFE	25.31	5	-3.00	100
Median	22.84		-1.23	

Growth: US Equity – Rolling Excess Returns



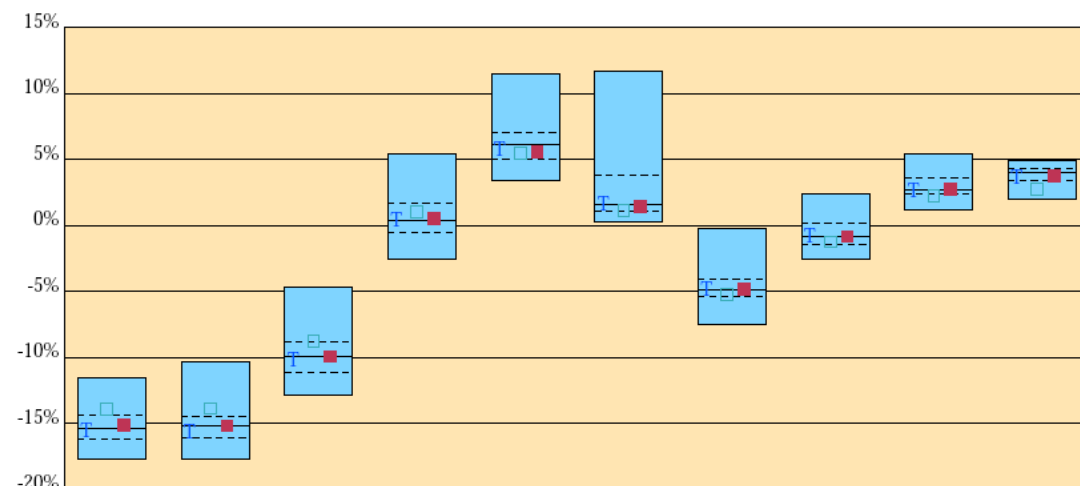
Growth: US Equity – Rolling Tracking Error



Growth: US Equity – Universe Comparison



California Public Employees Retirement
US Equity Returns of Public Funds > \$10 Billion
Rates of Return for Periods Ending September 30, 2011



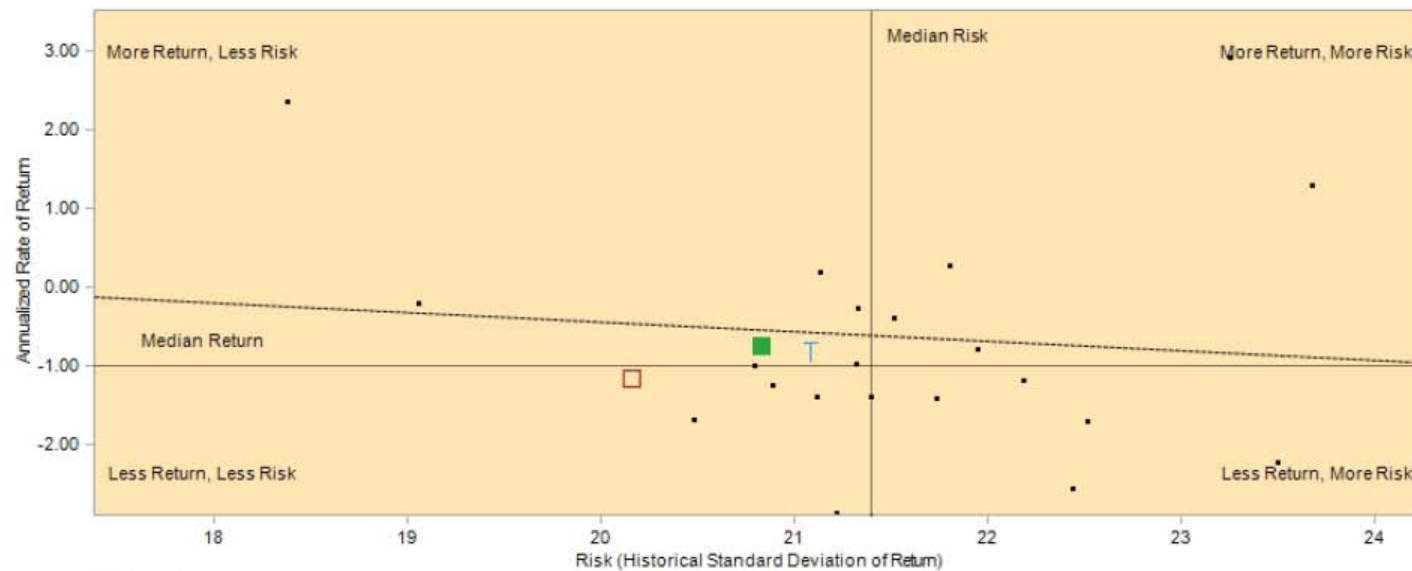
	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	-11.50	-10.32	-4.71	5.39	11.54	11.70	-0.27	2.36	5.45	4.92
25th Percentile	-14.41	-14.43	-8.85	1.66	7.04	3.80	-4.06	0.18	3.67	4.37
Median	-15.41	-15.22	-9.93	0.41	6.11	1.62	-4.89	-0.79	2.67	4.04
75th Percentile	-16.22	-16.13	-11.13	-0.50	5.00	1.07	-5.40	-1.39	2.41	3.42
95th Percentile	-17.67	-17.75	-12.87	-2.50	3.42	0.26	-7.45	-2.56	1.23	2.00
T Total Plan - Composites	-15.51 (53)	-15.65 (64)	-10.15 (54)	0.41 (50)	5.80 (54)	1.66 (45)	-4.80 (45)	-0.81 (50)	2.70 (43)	3.64 (58)
□ S&P 500	-13.86 (15)	-13.78 (17)	-8.67 (17)	1.15 (28)	5.55 (66)	1.23 (58)	-5.15 (65)	-1.17 (55)	2.30 (83)	2.82 (87)
■ Wilshire 5000	-15.04 (32)	-15.11 (32)	-9.86 (46)	0.58 (42)	5.70 (58)	1.49 (50)	-4.75 (45)	-0.75 (45)	2.87 (43)	3.83 (50)

Returns for periods greater than one year are annualized.

GOF returns are used in universe comparison.

Growth – US Equity – Risk and Return

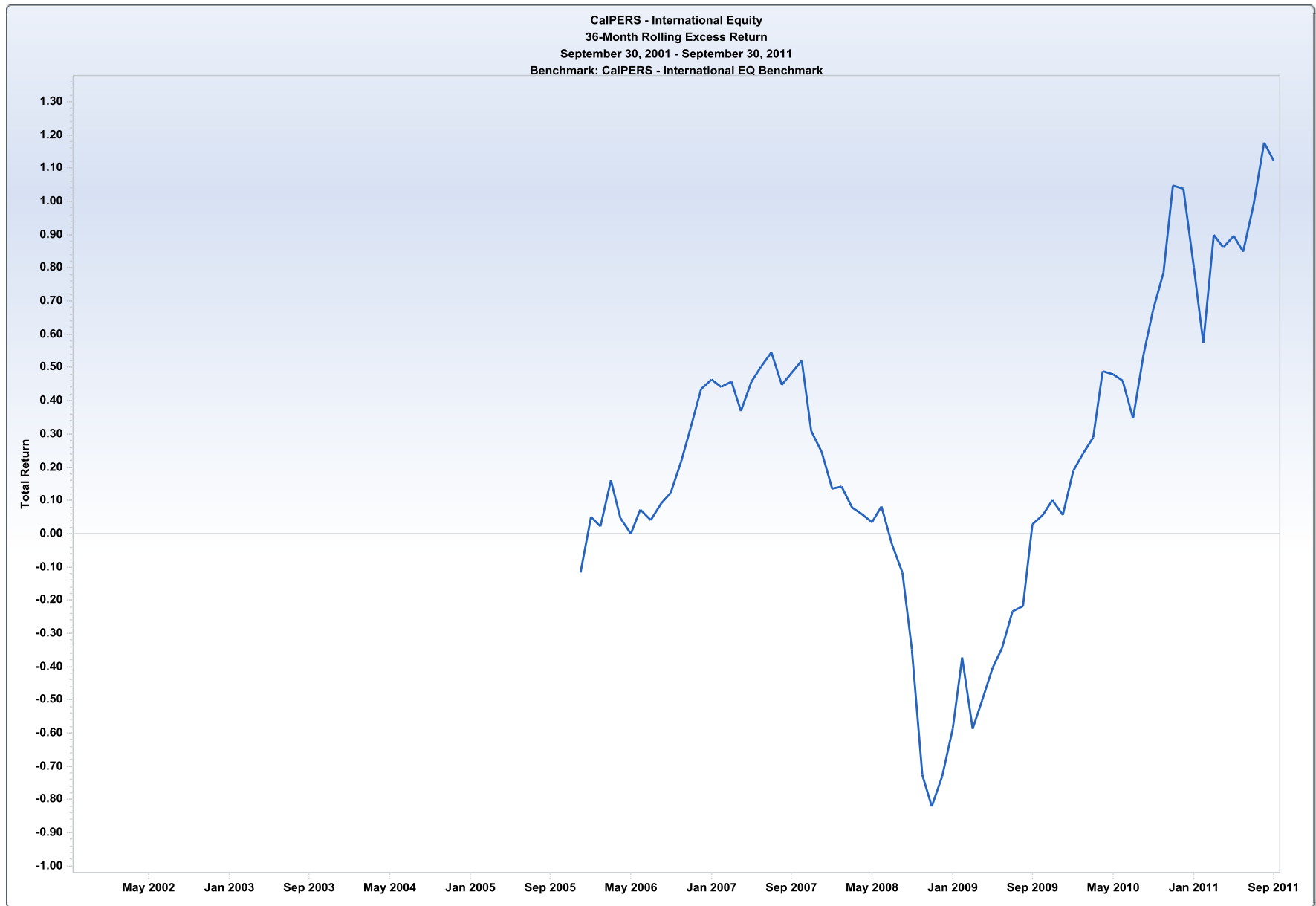
California Public Employees Retirement System Risk vs US Equity Returns of Public Funds > \$10 Billion 5 Years Ending September 30, 2011



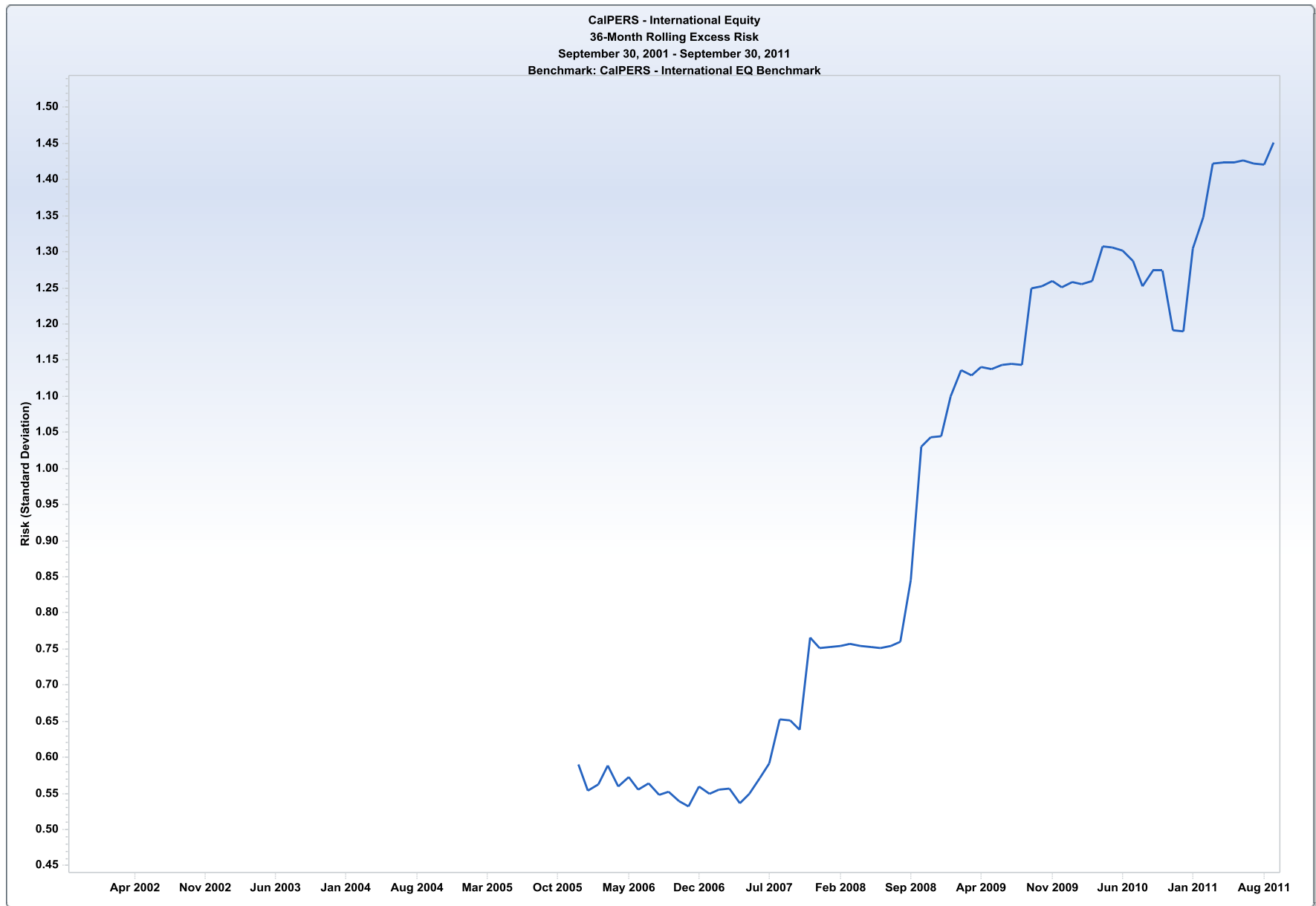
Alpha: 1.95
Beta: -0.12
R-Squared: 0.01

	Risk Value	Risk Rank	Return Value	Return Rank
T Total Plan - Composites	21.09	79	-0.81	45
S&P 500	20.16	94	-1.17	55
Wilshire 5000	20.83	84	-0.75	40
Median	21.40		-1.01	

Growth: International Equity – Rolling Excess Returns



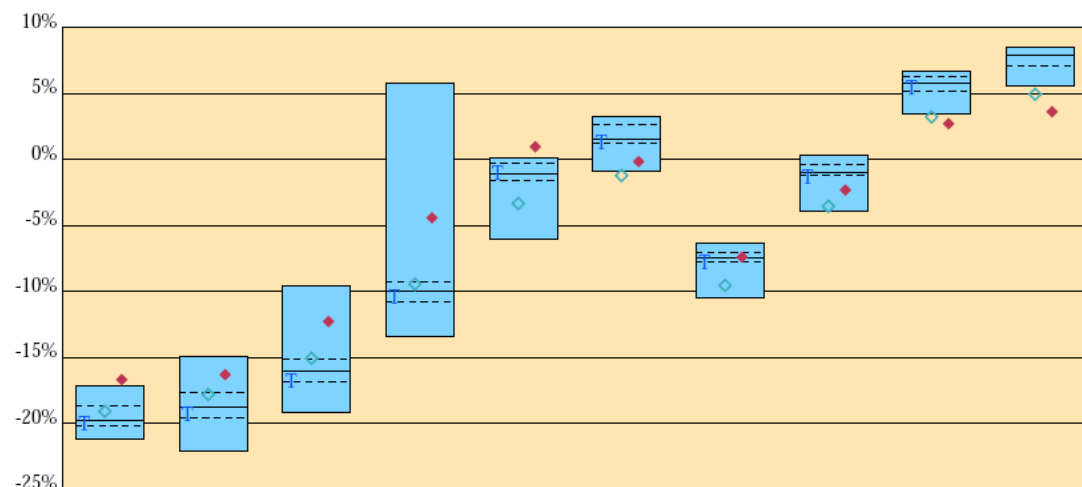
Growth: International Equity – Rolling Tracking Error



Growth: International Equity – Universe Comparison



California Public Employees Retirement
International Equity Returns of Public Funds > \$10 Billion
Rates of Return for Periods Ending September 30, 2011



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	-17.10	-14.91	-9.61	5.76	0.12	3.24	-6.32	0.33	6.67	8.50
25th Percentile	-18.70	-17.68	-15.08	-9.26	-0.30	2.63	-7.05	-0.34	6.32	8.48
Median	-19.79	-18.78	-16.07	-9.97	-1.04	1.52	-7.44	-1.01	5.78	7.89
75th Percentile	-20.18	-19.54	-16.88	-10.82	-1.54	1.26	-7.76	-1.13	5.21	7.12
95th Percentile	-21.18	-22.06	-19.12	-13.45	-5.98	-0.87	-10.47	-3.94	3.51	5.60
T Total Plan - Composites	-19.97 (60)	-19.34 (64)	-16.81 (64)	-10.46 (57)	-1.03 (45)	1.33 (55)	-7.81 (81)	-1.31 (75)	5.43 (66)	
◇ MSCI EAFE (Net)	-19.01 (28)	-17.74 (25)	-14.98 (21)	-9.36 (25)	-3.25 (94)	-1.13 (99)	-9.47 (87)	-3.46 (93)	3.32 (99)	5.03 (99)
◆ MSCI World (Net)	-16.61 (1)	-16.22 (9)	-12.20 (5)	-4.34 (5)	1.05 (1)	-0.07 (87)	-7.32 (35)	-2.23 (81)	2.80 (99)	3.71 (99)

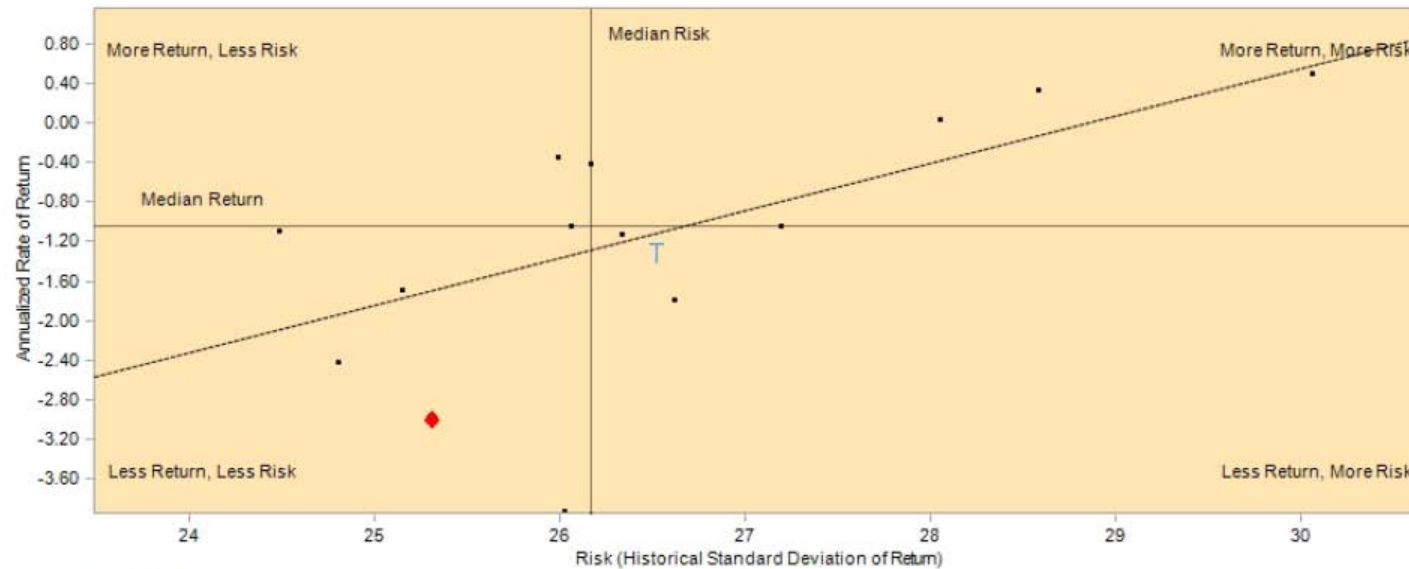
Returns for periods greater than one year are annualized.

GOF returns are used in universe comparison.

Growth – Non US Equity – Risk and Return



California Public Employees Retirement System Risk vs Non-US Equity Returns of Public Funds > \$10 Billion 5 Years Ending September 30, 2011



	Risk Value	Risk Rank	Return Value	Return Rank
T Total Plan - Composites	26.52	33	-1.31	66
♦ MSCI EAFE	25.31	75	-3.00	99
Median	26.17		-1.04	

Growth: Corporate Governance/MDP/FoF

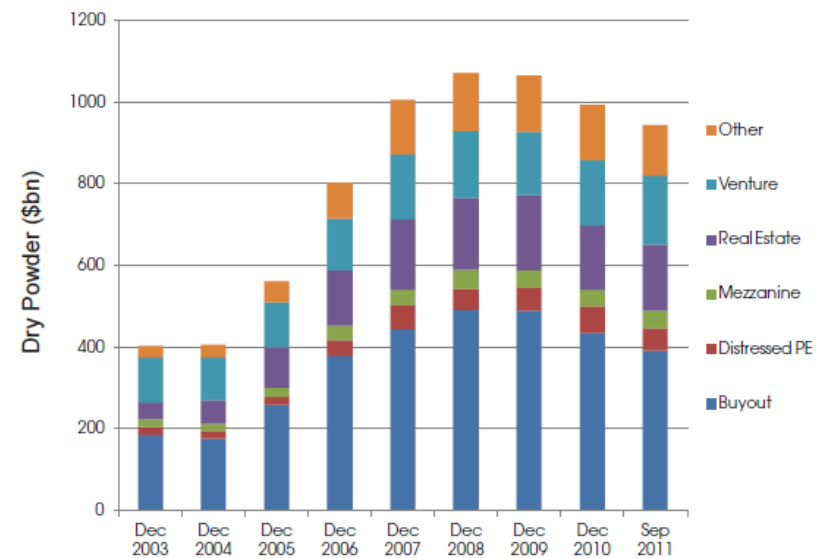


	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Date</u>
Total Corporate Governance	4.4	-13.1%	0.6%	2.3%	-2.8%	6.3%	12/98
<i>Policy Benchmark</i>		-14.4%	-3.7%	-1.1%	-3.5%	3.8%	
<i>Value Added</i>		1.3%	4.3%	3.4%	0.7%	2.5%	
Total MDP	1.5	-17.2%	-4.1%	-0.4%	-1.2%	4.3%	6/00
<i>Policy Benchmark</i>		-16.9%	-5.1%	0.8%	-0.2%	5.5%	
<i>Value Added</i>		-0.3%	1.0%	-1.2%	-1.0%	-1.2%	
Total FoF	0.7	-19.5%	-2.6%	2.6%	-.-%	-.-%	3/08
<i>Policy Benchmark</i>		-19.5%	-4.6%	1.9%	-.-%	-.-%	
<i>Value Added</i>		0.0%	2.0%	0.7%	-.-%	-.-%	



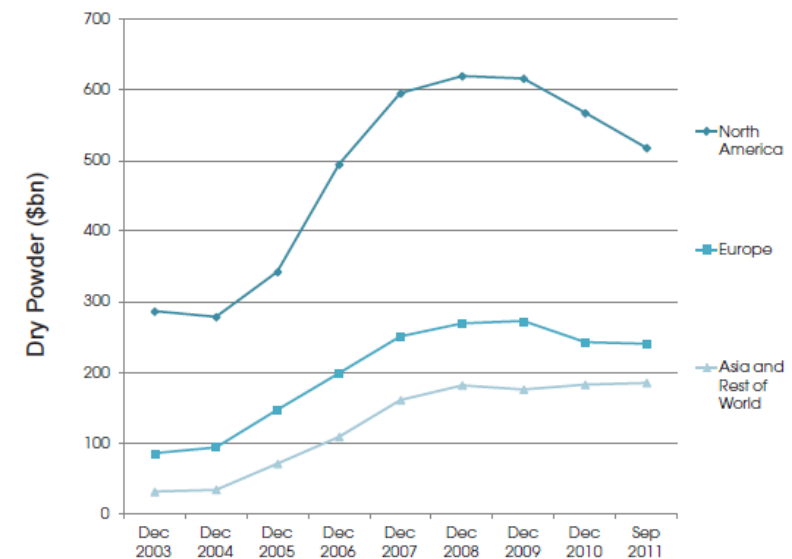
Private Equity Cash on Hand

Fig. 35: Private Equity Dry Powder by Fund Type, 2003 - September 2011



Source: Preqin

Fig. 36: Private Equity Dry Powder by Primary Regional Focus, 2003 - September 2011



Source: Preqin

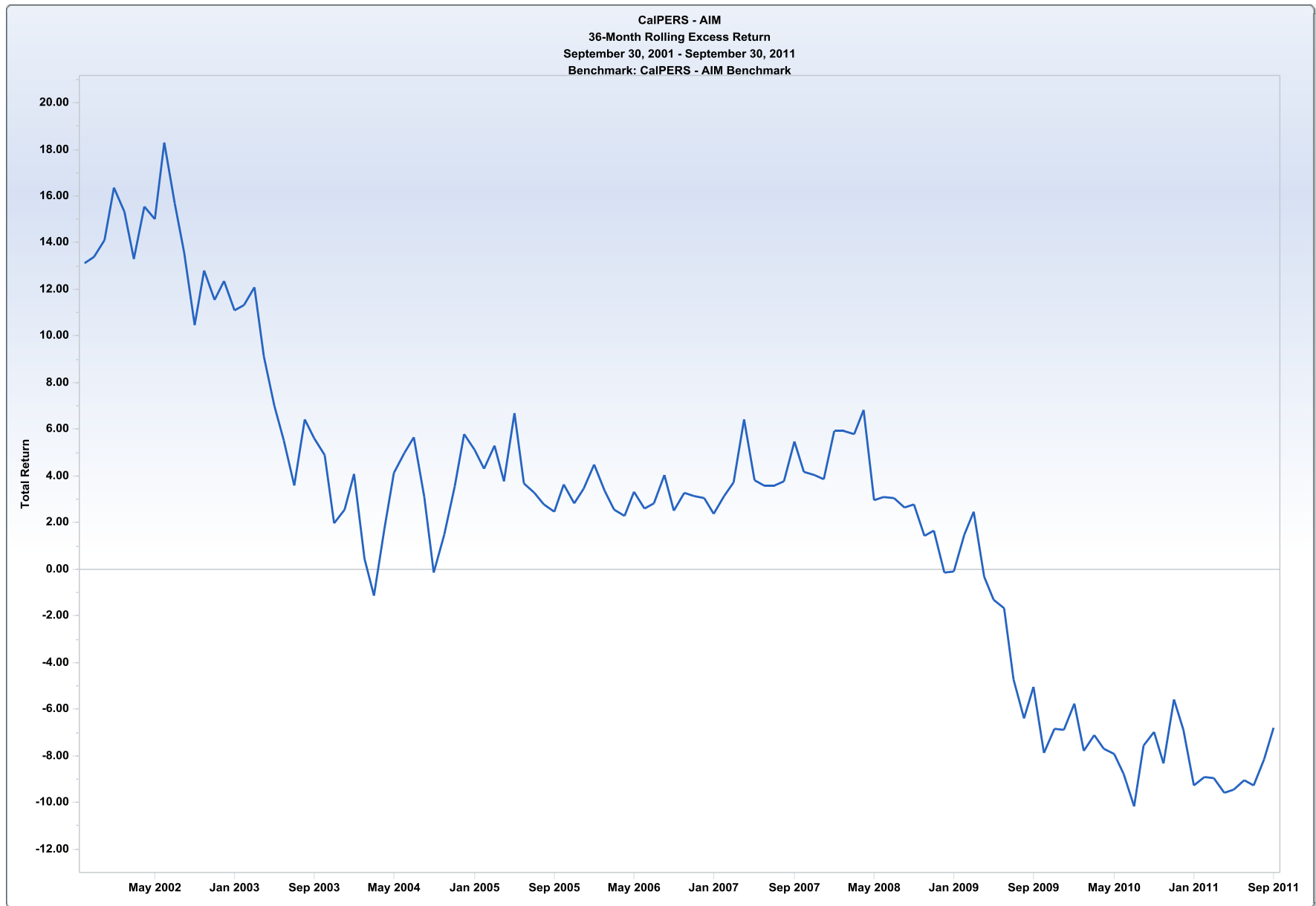
Data sources: Preqin

Growth: Private Equity (AIM) – Performance

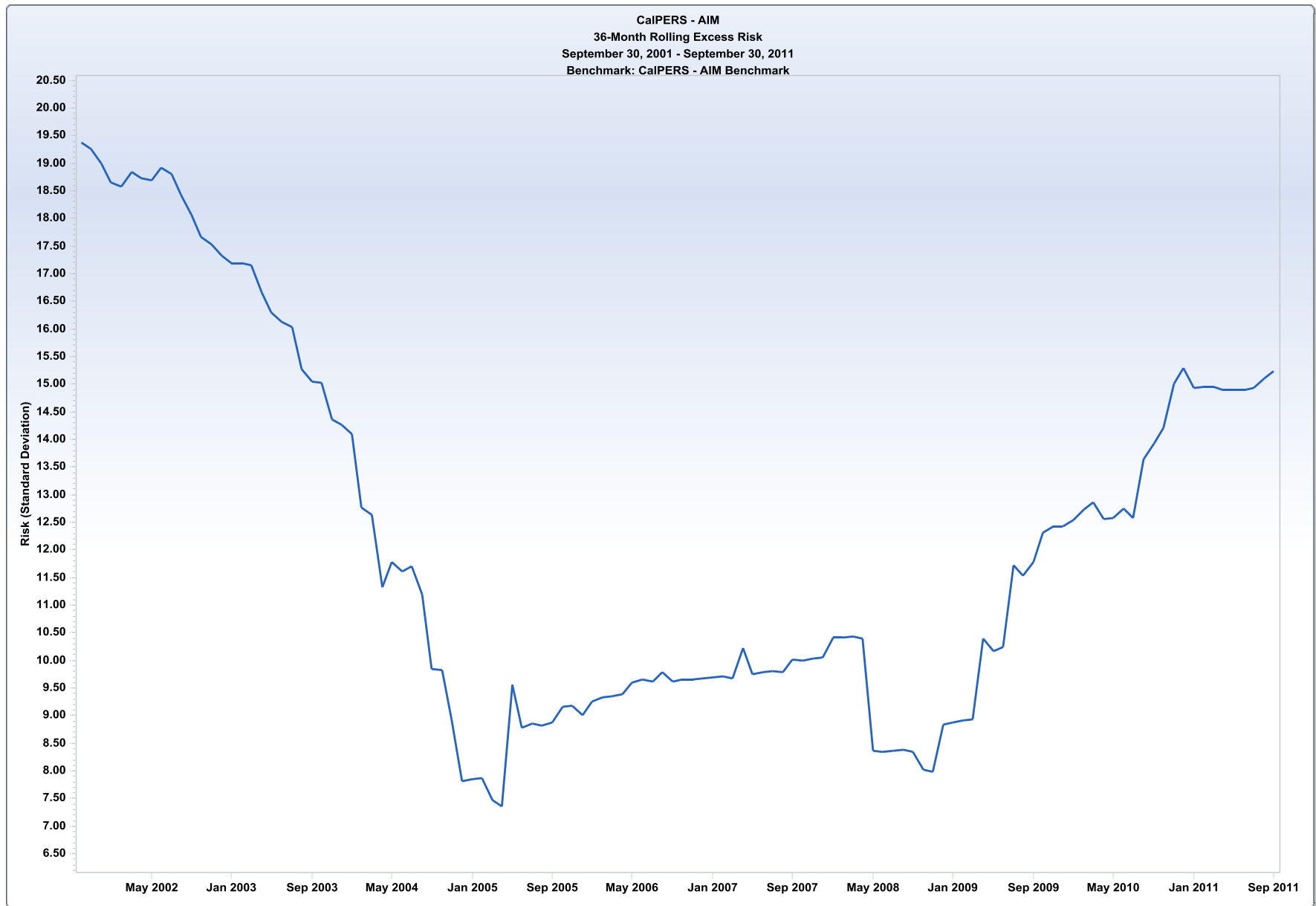


	Market Value	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>VaR²²</u>	<u>5-year Sharpe Ratio²³</u>	<u>5-year Info Ratio²⁴</u>
PRIVATE EQUITY (AIM) ²⁰	34.2	3.7%	28.4%	6.1%	10.2%	8.9%	\$9.9 bil	0.8	-0.3
<i>AIM Policy Benchmark ²¹</i>		0.8%	35.9%	13.9%	14.2%	10.2%		1.0	0.0
<i>Value Added</i>		2.9%	-7.5%	-7.8%	-4.0%	-1.3%			
Private Equity Partnership Investments	34.1	3.8%	28.7%	6.2%	10.3%	8.9%			
Private Equity Distribution Stock	0.1	-23.0%	-17.6%	24.5%	7.7%	10.2%			

Growth: Private Equity (AIM) – Rolling Excess Returns



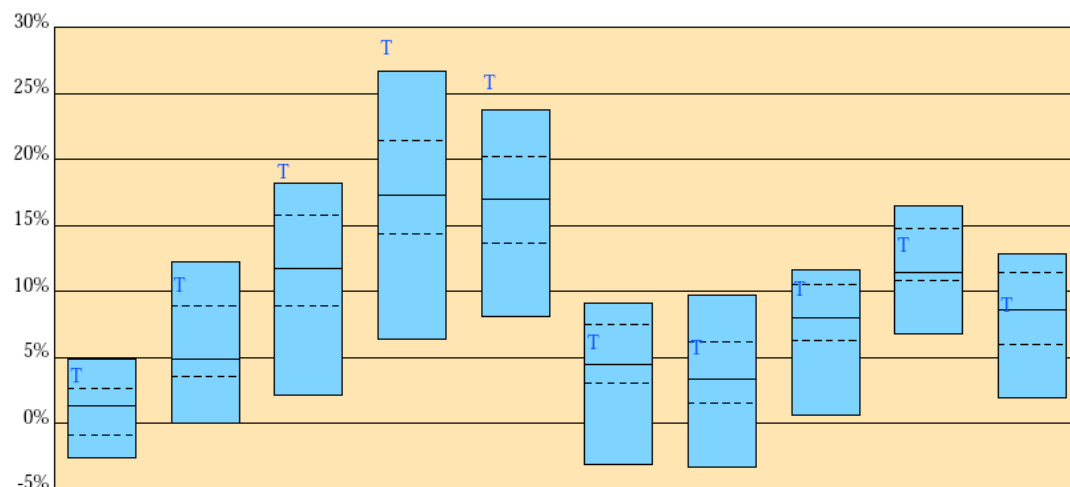
Growth: Private Equity (AIM) – Rolling Tracking Error



Growth: Private Equity (AIM) – Universe Comparison



California Public Employees Retirement
Private Equity Returns of Public Funds > \$10 Billion
Rates of Return for Periods Ending September 30, 2011



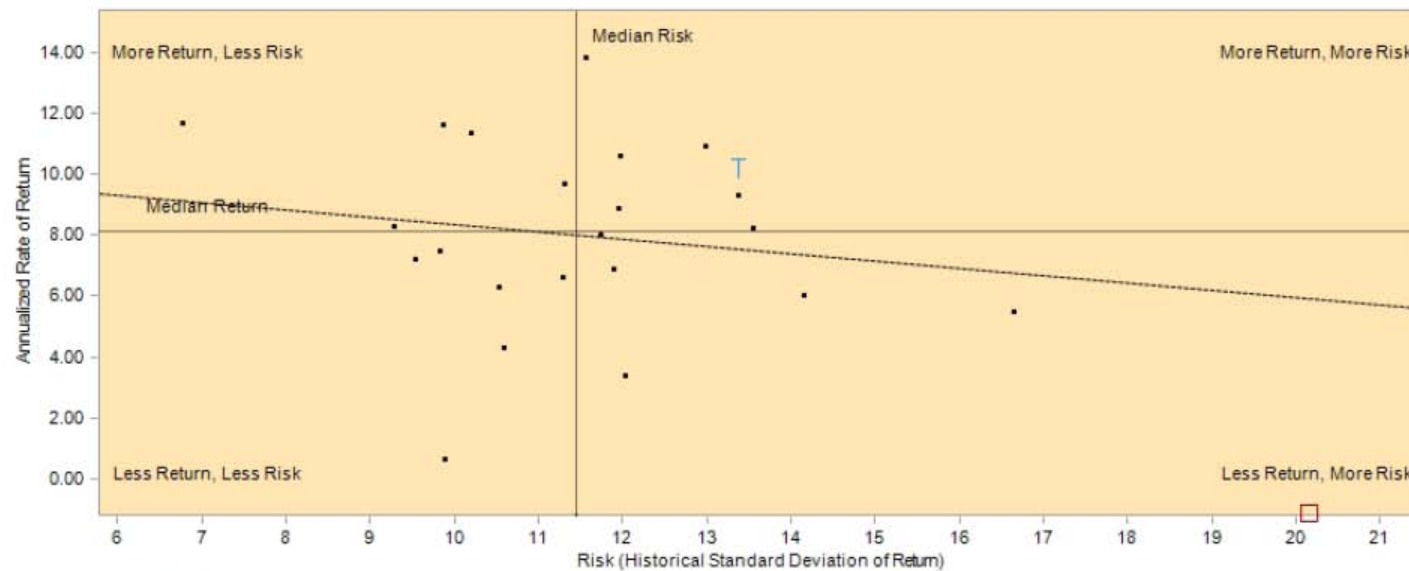
	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	4.90	12.24	18.26	26.72	23.80	9.10	9.76	11.66	16.54	12.81
25th Percentile	2.61	8.89	15.81	21.46	20.20	7.51	6.22	10.58	14.77	11.46
Median	1.31	4.91	11.77	17.28	17.04	4.48	3.37	8.00	11.40	8.65
75th Percentile	-0.85	3.57	8.87	14.37	13.62	3.03	1.53	6.30	10.80	6.02
95th Percentile	-2.65	0.00	2.16	6.39	8.09	-3.07	-3.36	0.63	6.82	1.94
T Total Plan - Composites	3.65 (15)	10.49 (5)	19.06 (1)	28.44 (1)	25.87 (1)	6.12 (37)	5.77 (25)	10.23 (25)	13.54 (31)	8.96 (41)

Returns for periods greater than one year are annualized.

GOF returns are used in universe comparison.

Growth – AIM – Risk and Return

California Public Employees Retirement System
Risk vs Total Private Equity Returns of Public Funds > \$10 Billion
5 Years Ending September 30, 2011



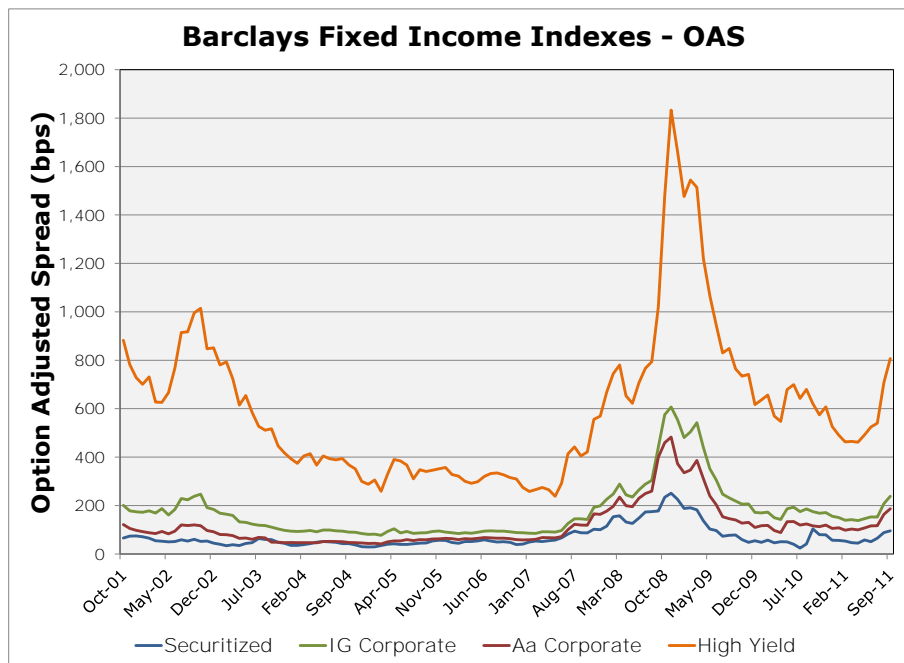
Alpha: 10.76
Beta: -0.24
R-Squared: 0.02

	Risk Value	Risk Rank	Return Value	Return Rank
T Total Plan - Composites	13.38	20	10.23	25
S&P 500	20.16	1	-1.17	100
Median	11.44		8.11	

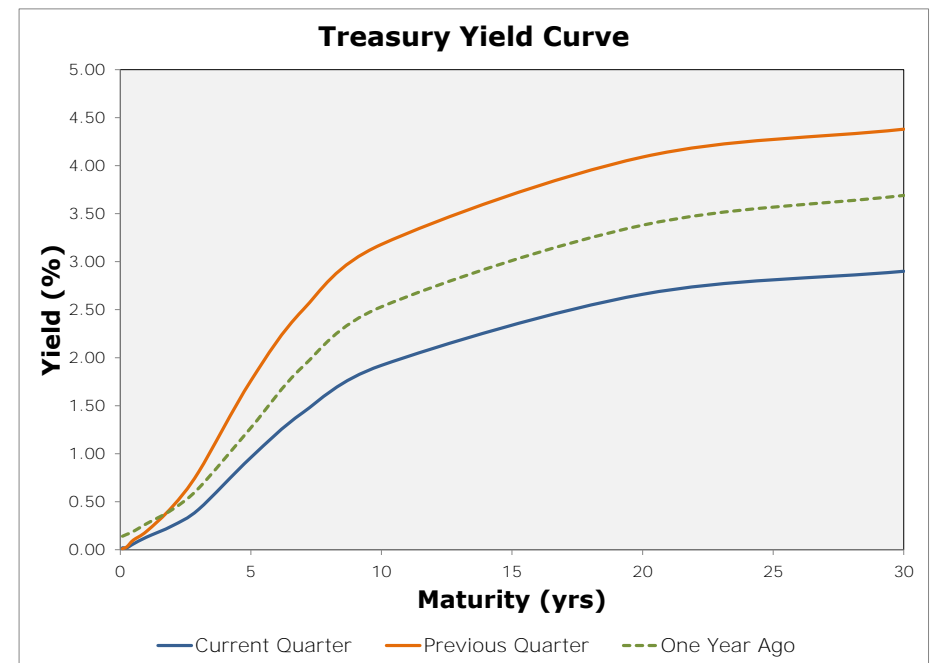
U.S. Capital Markets: Fixed Income



September 30, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	3.8	6.6	5.3	8.0	6.5	5.7
Barclays Treasury Index	6.5	8.8	6.0	6.5	6.8	5.5
Barclays Govt-Related Index	3.0	5.9	4.1	6.4	6.2	5.5
Barclays Securitized Index	2.2	5.2	5.5	7.3	6.5	5.5
Barclays Corporate IG Index	2.9	6.1	4.4	12.6	6.7	6.3
Barclays LT Govt/Credit Index	15.6	19.4	12.7	14.9	9.4	8.3
Barclays Long-Term Treasury Index	24.7	27.5	17.1	13.0	10.7	8.5
Barclays U.S. TIPS Index	4.5	10.6	9.9	8.1	7.1	7.2
Barclays High Yield Index	-6.1	-1.4	1.8	13.8	7.1	8.8
Treasury Bills	0.0	0.1	0.1	0.2	1.7	2.0

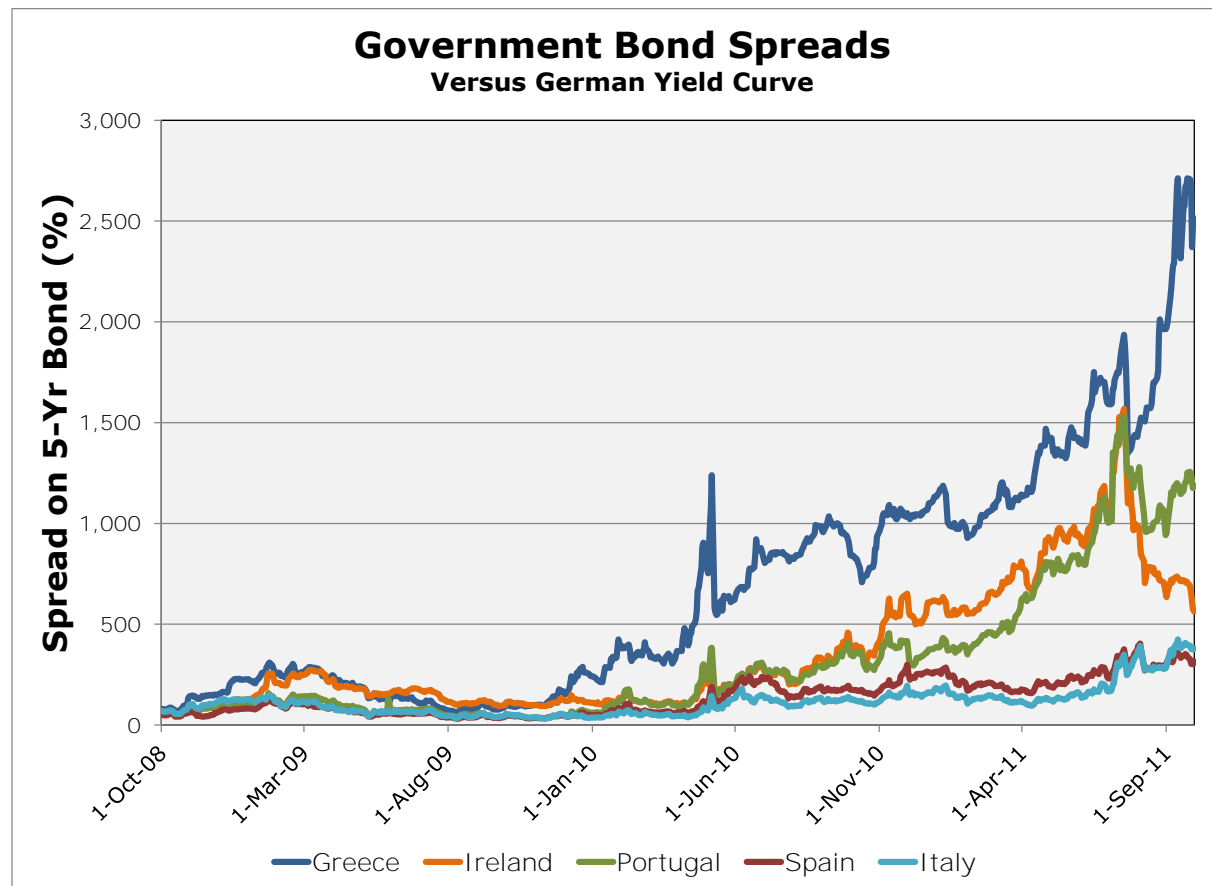


Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury



European Debt Issues

Concerns linger in Europe



Data sources: Barclays Capital, The Economist

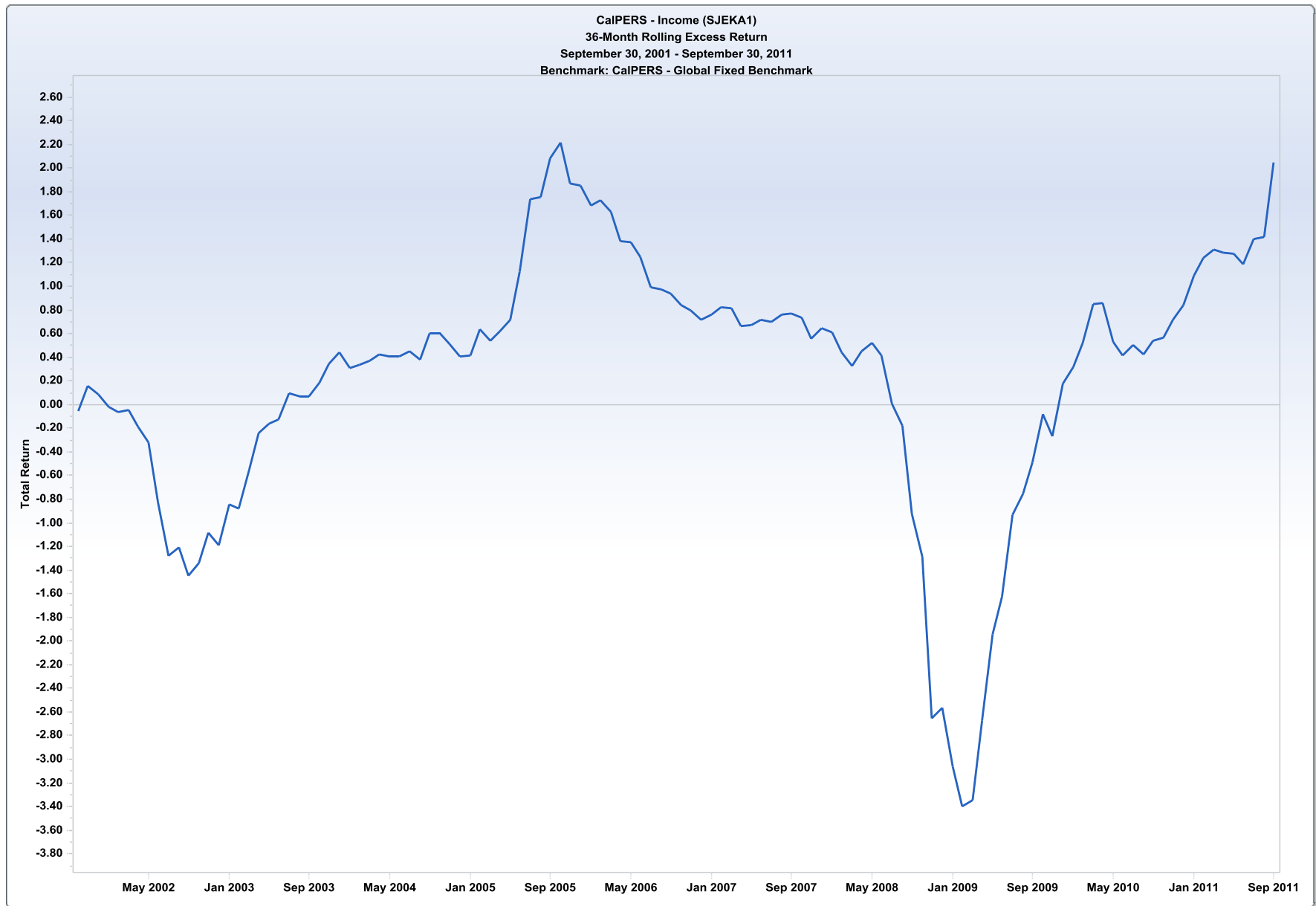


Income – Performance

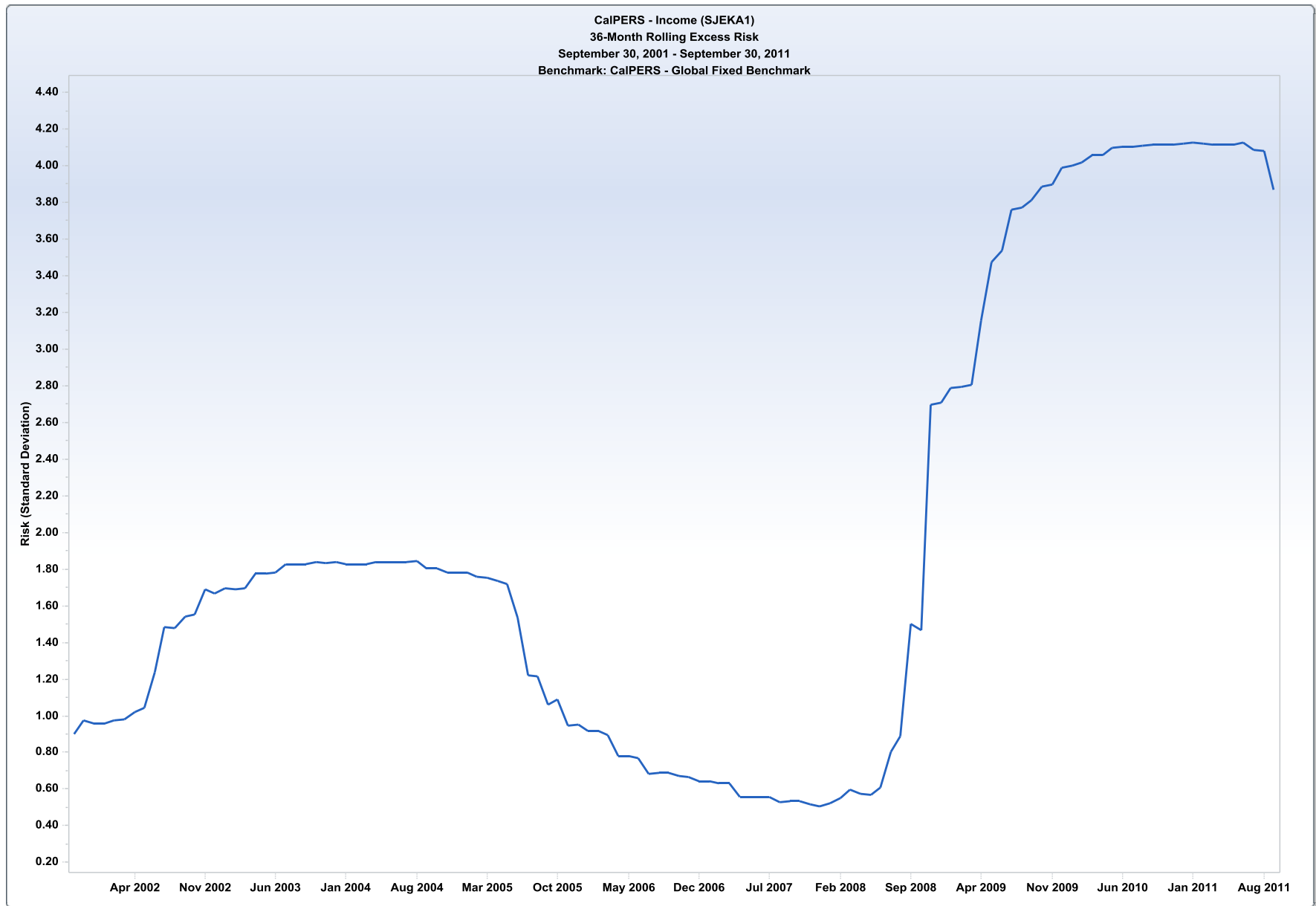
	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR³⁸	5-year Sharpe Ratio³⁹	5-year Info Ratio⁴⁰
INCOME	40.7	6.5%	8.5%	13.6%	8.8%	7.9%	\$5.2 bil	1.0	0.1
<i>Income Policy Benchmark³⁵</i>		7.8%	8.8%	11.3%	8.4%	7.3%		1.0	0.0
<i>Value Added</i>		-1.3%	-0.3%	2.3%	0.4%	0.6%			
U.S. Income	37.1	7.0%	8.8%	14.0%	8.8%	7.7%		1.0	0.1
<i>U.S. Income Policy Benchmark³⁶</i>		8.4%	9.2%	11.6%	8.3%	7.2%		1.0	0.0
<i>Value Added</i>		-1.4%	-0.4%	2.4%	0.5%	0.5%			
Non-U.S. Income	3.6	1.5%	5.8%	10.8%	8.9%	8.7%		0.7	0.6
<i>Non-US Income Policy Benchmark³⁷</i>		1.0%	4.4%	8.3%	7.8%	8.0%		0.6	0.0
<i>Value Added</i>		0.5%	1.4%	2.5%	1.1%	0.7%			



Income – Rolling Excess Returns



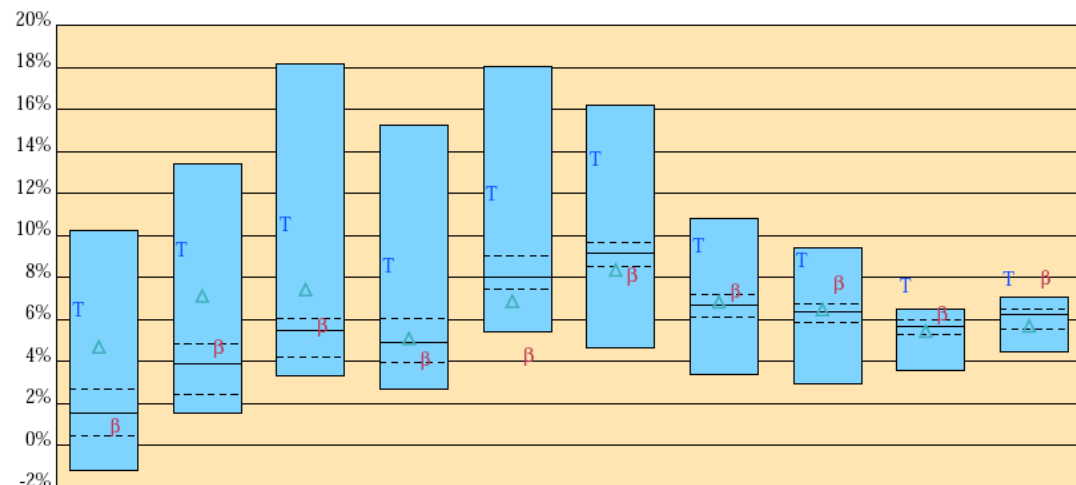
Income – Rolling Tracking Error



Income – Universe Comparison



California Public Employees Retirement
Fixed Income Returns of Public Funds > \$10 Billion
Rates of Return for Periods Ending September 30, 2011



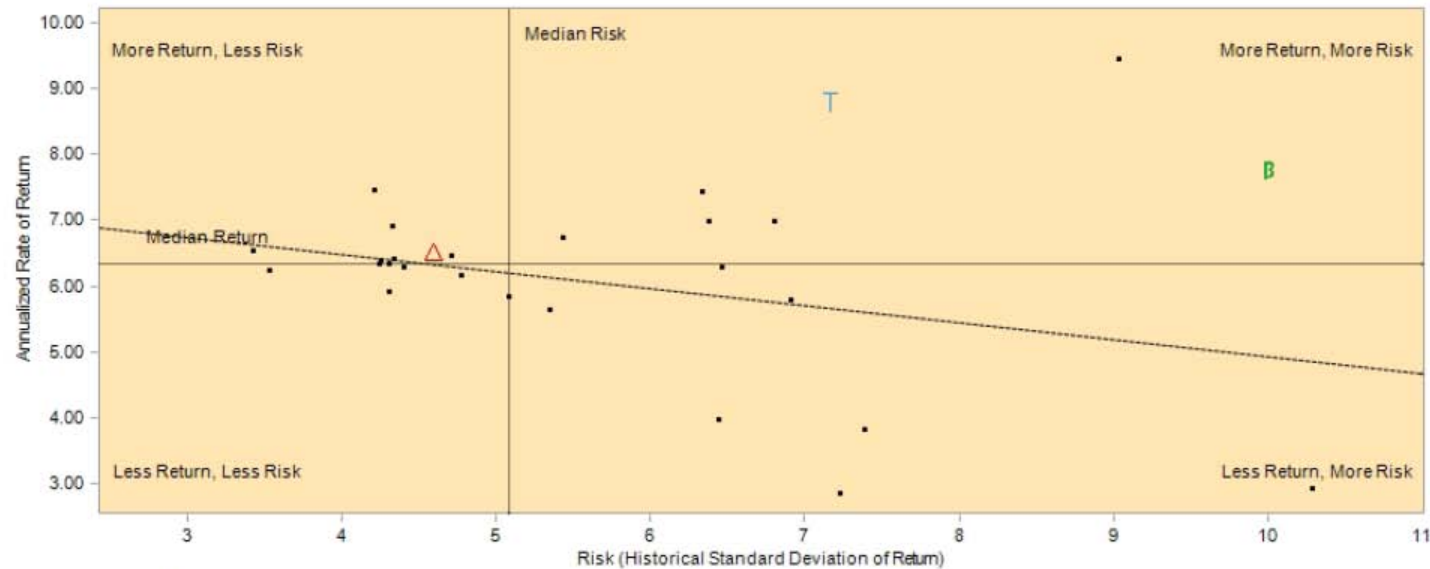
	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	10.27	13.43	18.17	15.28	18.04	16.20	10.84	9.44	6.52	7.08
25th Percentile	2.71	4.87	6.03	6.07	9.03	9.70	7.17	6.74	6.00	6.48
Median	1.57	3.90	5.47	4.90	8.01	9.14	6.66	6.35	5.65	6.25
75th Percentile	0.44	2.46	4.19	3.96	7.43	8.52	6.11	5.85	5.27	5.53
95th Percentile	-1.20	1.57	3.32	2.66	5.40	4.67	3.38	2.93	3.55	4.46
T Total Plan - Composites	6.50 (9)	9.32 (9)	10.52 (5)	8.54 (5)	11.97 (9)	13.63 (5)	9.54 (5)	8.81 (5)	7.63 (1)	7.92 (1)
Δ Barclays Govt/Credit	4.74 (12)	7.17 (12)	7.47 (9)	5.14 (42)	6.92 (79)	8.41 (79)	6.88 (29)	6.52 (29)	5.49 (60)	5.74 (65)
β Citigroup Non-US Govt Bond	0.95 (53)	4.66 (31)	5.68 (35)	4.14 (67)	4.30 (100)	8.09 (83)	7.35 (21)	7.77 (5)	6.26 (15)	7.97 (1)

Returns for periods greater than one year are annualized.

GOF returns are used in universe comparison.

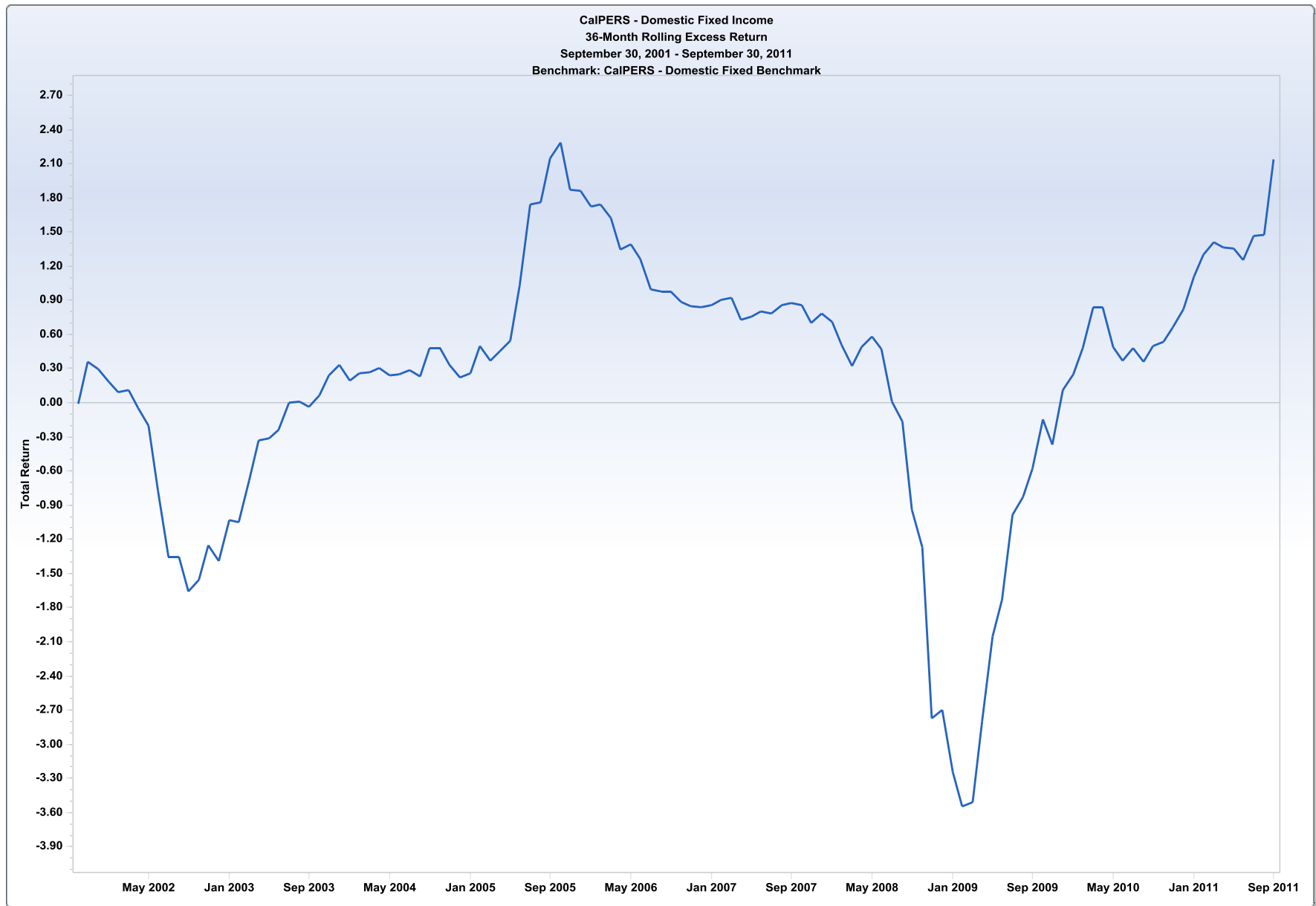
Income – Risk and Return

California Public Employees Retirement System Risk vs Total Fixed Income Returns of Public Funds > \$10 Billion 5 Years Ending September 30, 2011

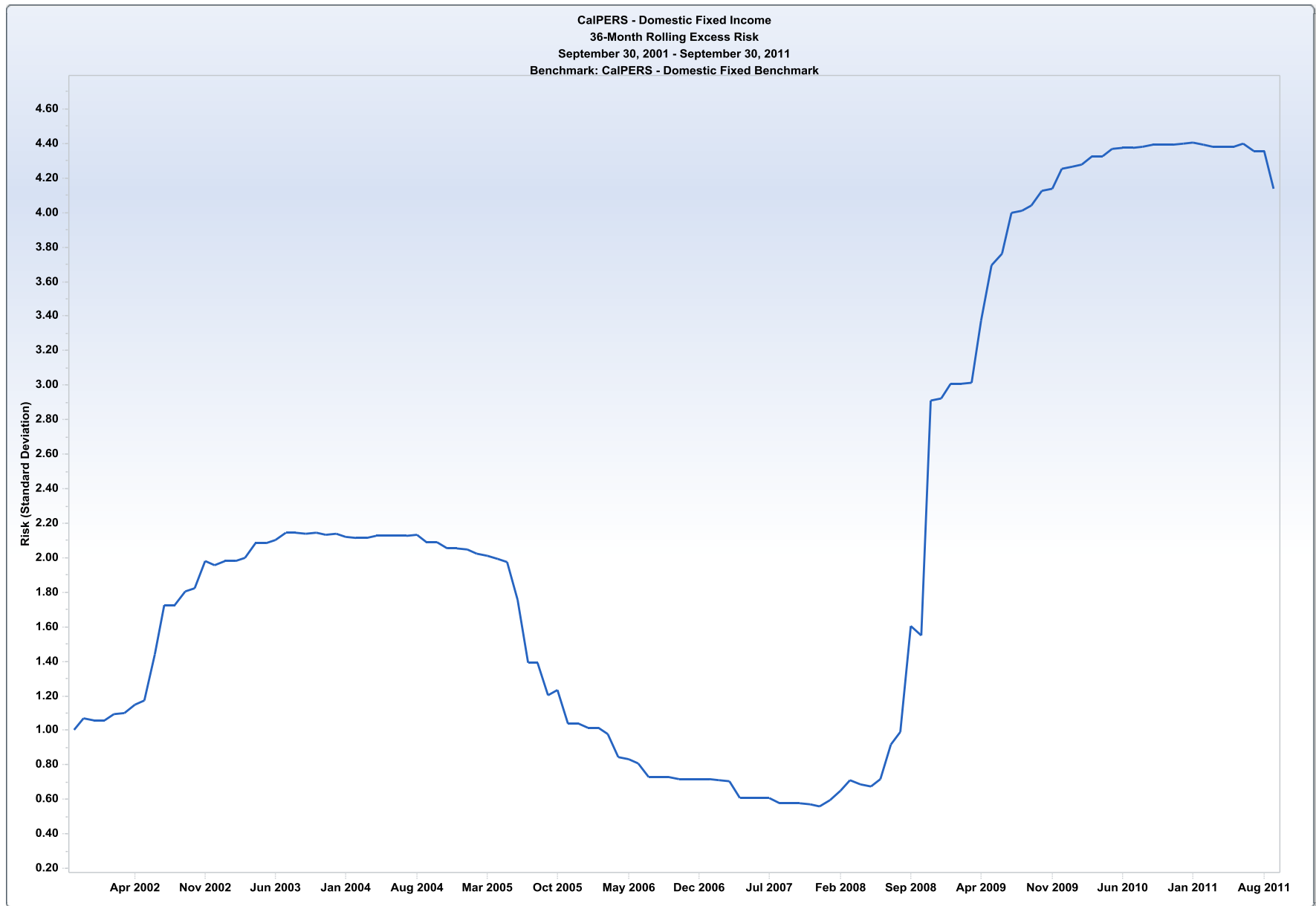


	Risk Value	Risk Rank	Return Value	Return Rank
T Total Plan - Composites	7.17	17	8.81	5
△ Barclays Govt/Credit	4.60	62	6.52	33
■ Citi Non-US Gov Bond	10.00	5	7.77	5
Median	5.08		6.35	

US Income – Rolling Excess Returns



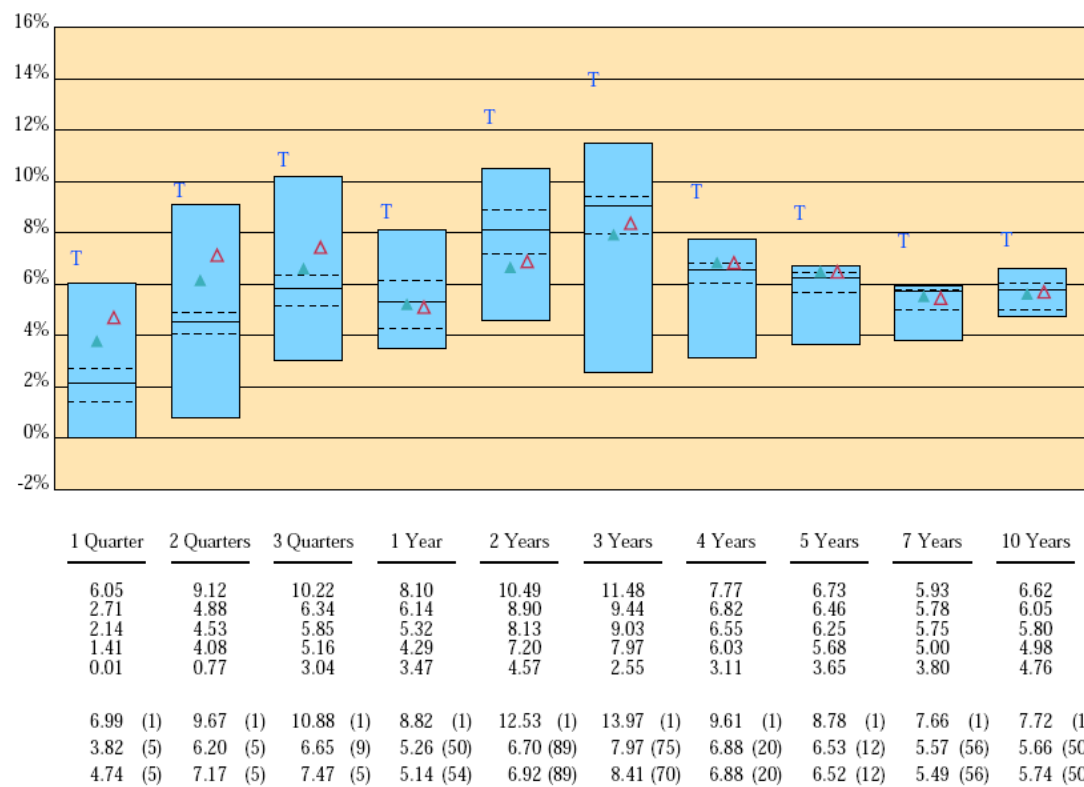
US Income – Rolling Tracking Error



US Income – Universe Comparison



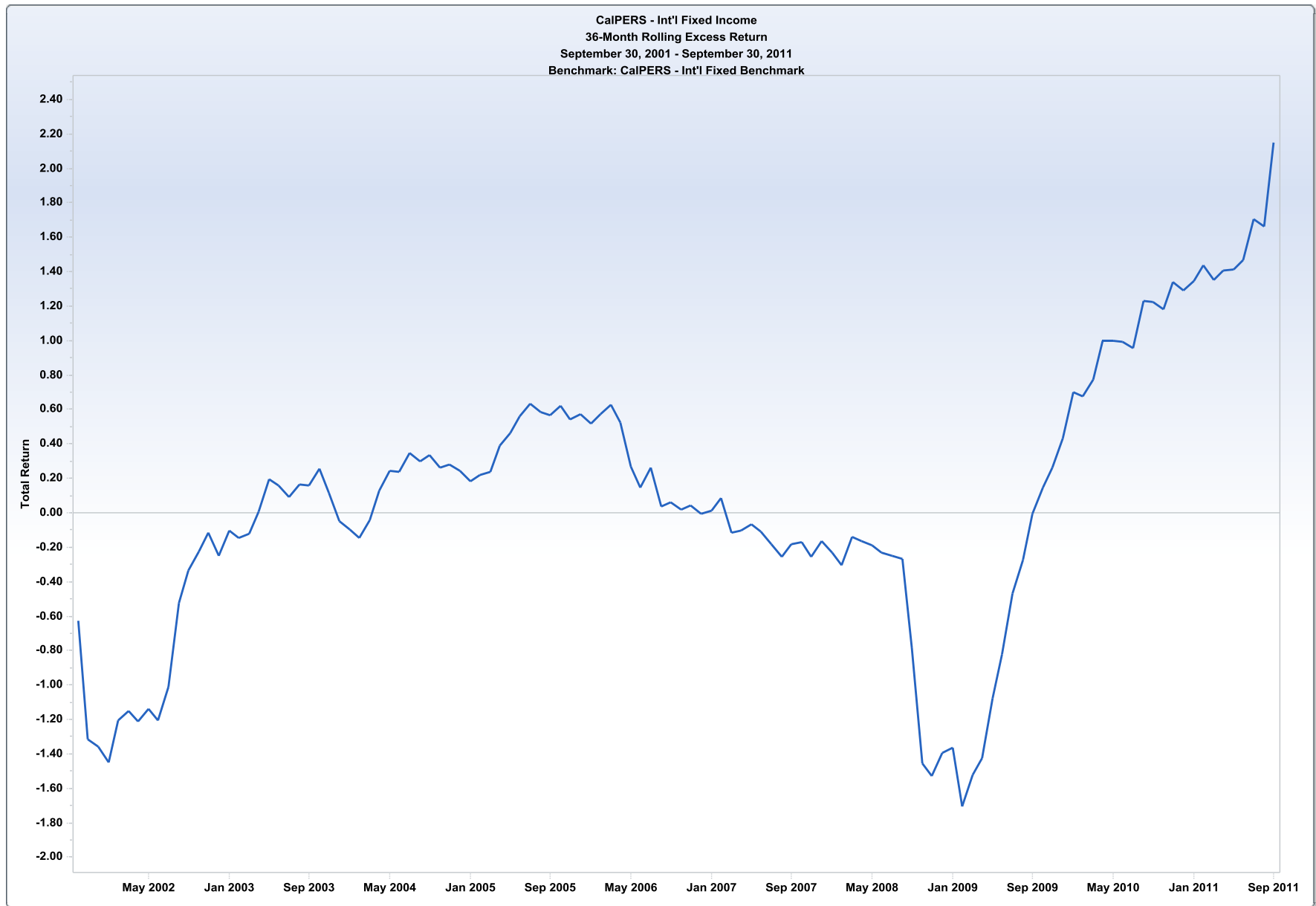
California Public Employees Retirement
US Fixed Income Returns of Public Funds > \$10 Billion
Rates of Return for Periods Ending September 30, 2011



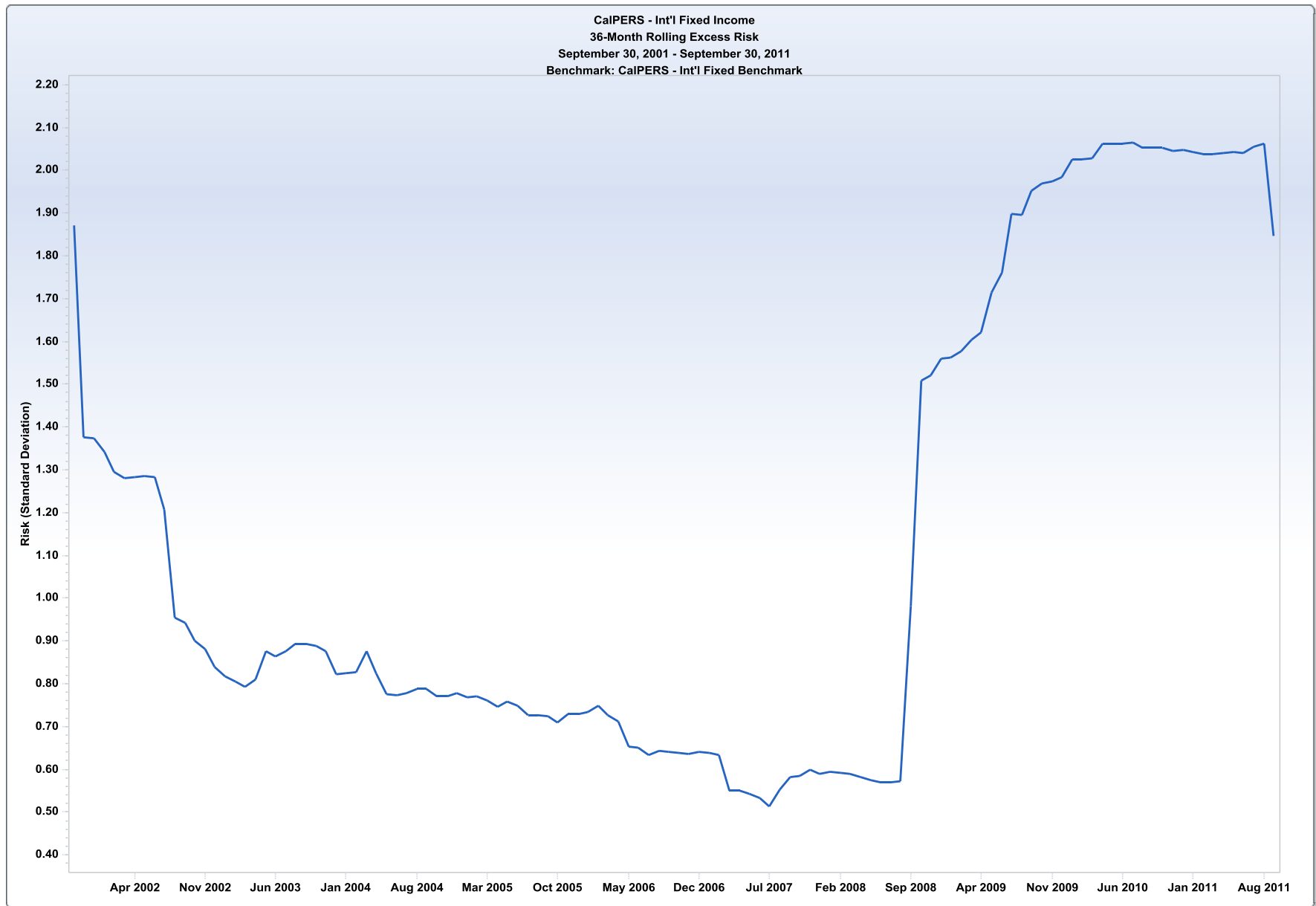
Returns for periods greater than one year are annualized.

GOF returns are used in universe comparison.

International Income – Rolling Excess Returns



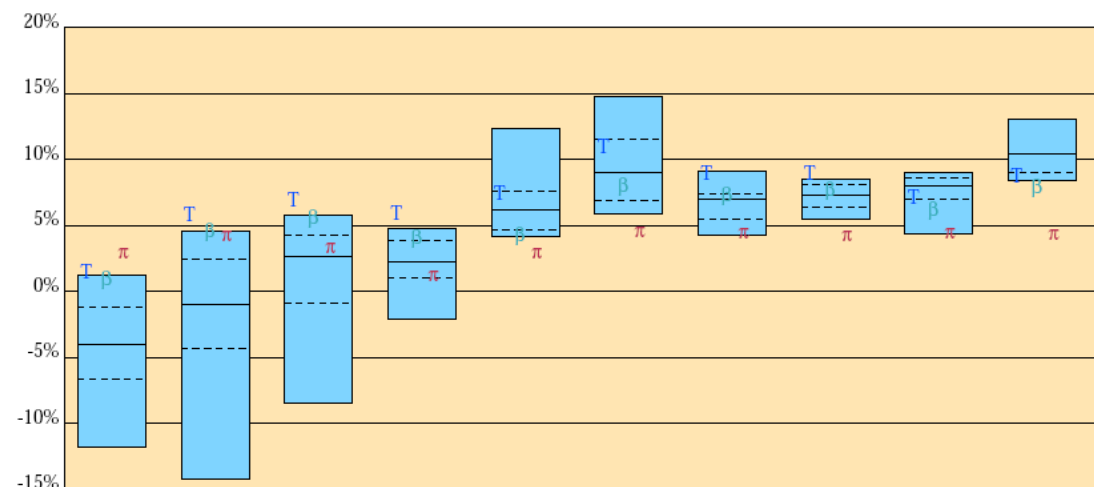
International Income – Rolling Tracking Error



International Income – Universe Comparison



California Public Employees Retirement
International Fixed Income Returns of Public Funds > \$10 Billion
Rates of Return for Periods Ending September 30, 2011



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	1.23	4.57	5.74	4.82	12.35	14.76	9.12	8.47	9.00	13.02
25th Percentile	-1.19	2.43	4.25	3.87	7.60	11.58	7.42	8.11	8.67	13.02
Median	-4.03	-0.96	2.62	2.27	6.24	9.00	6.96	7.33	7.98	10.48
75th Percentile	-6.62	-4.36	-0.88	1.01	4.71	6.92	5.48	6.36	6.98	9.01
95th Percentile	-11.81	-14.24	-8.49	-2.10	4.13	5.89	4.30	5.47	4.41	8.38
T Total Plan - Composites	1.50 (1)	5.89 (1)	7.01 (1)	5.94 (1)	7.43 (31)	10.98 (31)	8.96 (5)	9.01 (1)	7.17 (62)	8.74 (75)
β Citigroup Non-US Govt Bond	0.95 (5)	4.66 (1)	5.68 (10)	4.14 (15)	4.30 (83)	8.09 (58)	7.35 (33)	7.77 (33)	6.26 (87)	7.97 (99)
π Citigroup Hedged Non-US Govt	3.03 (1)	4.37 (5)	3.44 (29)	1.32 (65)	3.03 (99)	4.62 (99)	4.55 (91)	4.36 (99)	4.58 (87)	4.44 (100)

Returns for periods greater than one year are annualized.

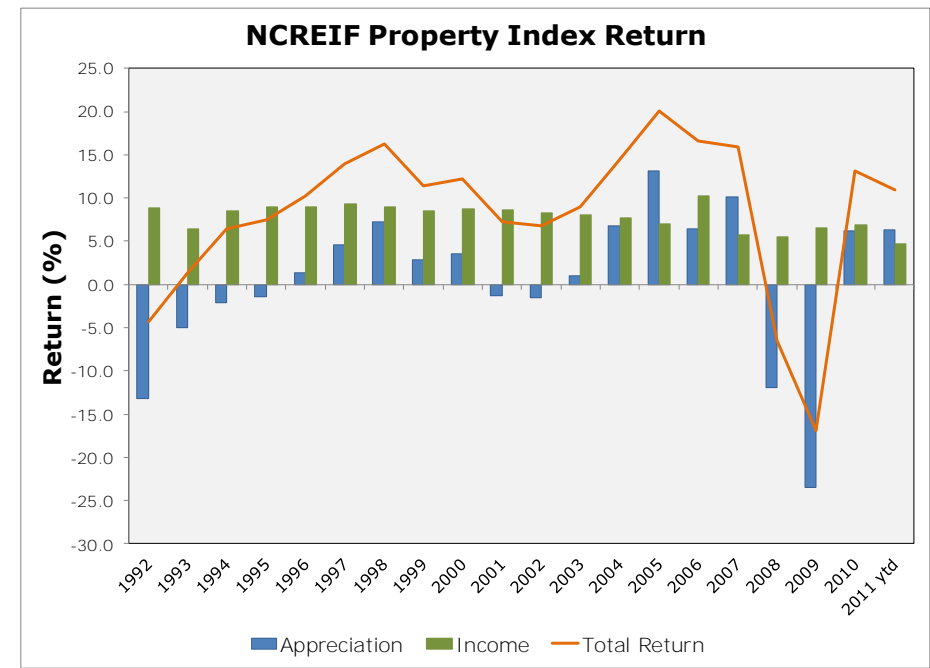
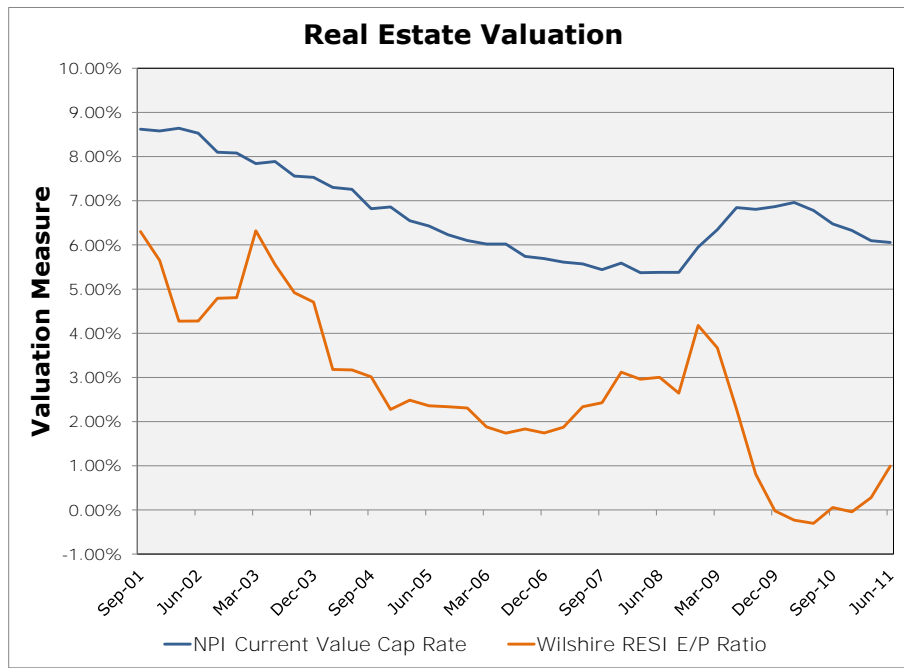
GOF returns are used in universe comparison.

Real Assets



September 30, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	4.5	10.6	9.9	8.1	7.1	7.2
Dow Jones UBS Commodity Index	-11.3	-13.6	0.0	-5.7	-1.1	5.9
Global Public Real Estate*	-15.1	-5.9	1.3	-0.2	-2.8	10.0
NCREIF Property Index	3.3	11.0	16.1	-1.5	3.4	7.8
NCREIF Timberland Index	-0.4	1.1	0.3	-0.4	5.8	6.8
S&P MLP Index (Oil & Gas)	-7.2	-1.6	7.0	23.6	11.9	13.1

* Wilshire Global Real Estate Securities from June, 2001 to December, 2004. Wilshire Global REITs from 2004 to present.



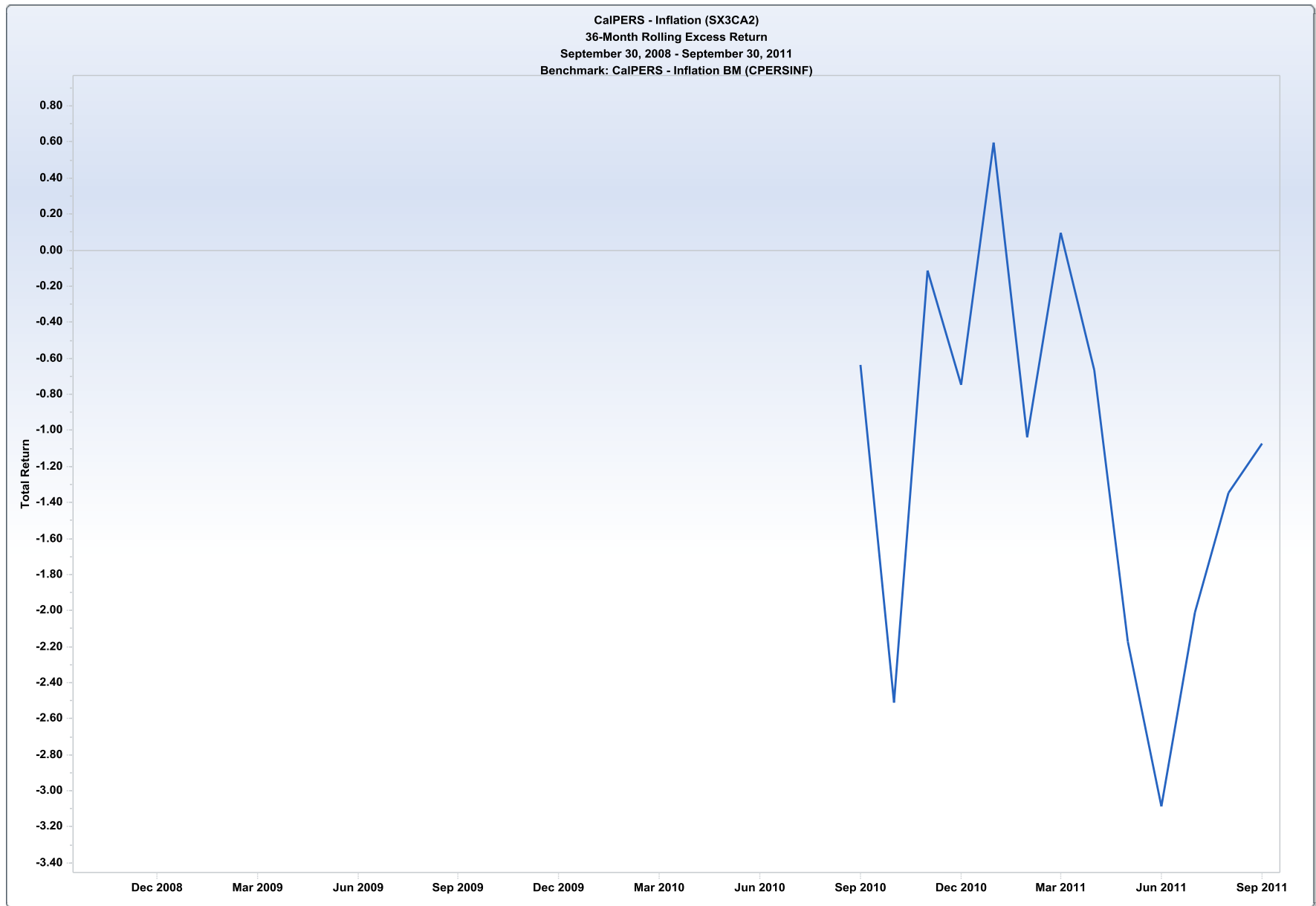
Data sources: Wilshire Compass, National Council of Real Estate Investment Fiduciaries



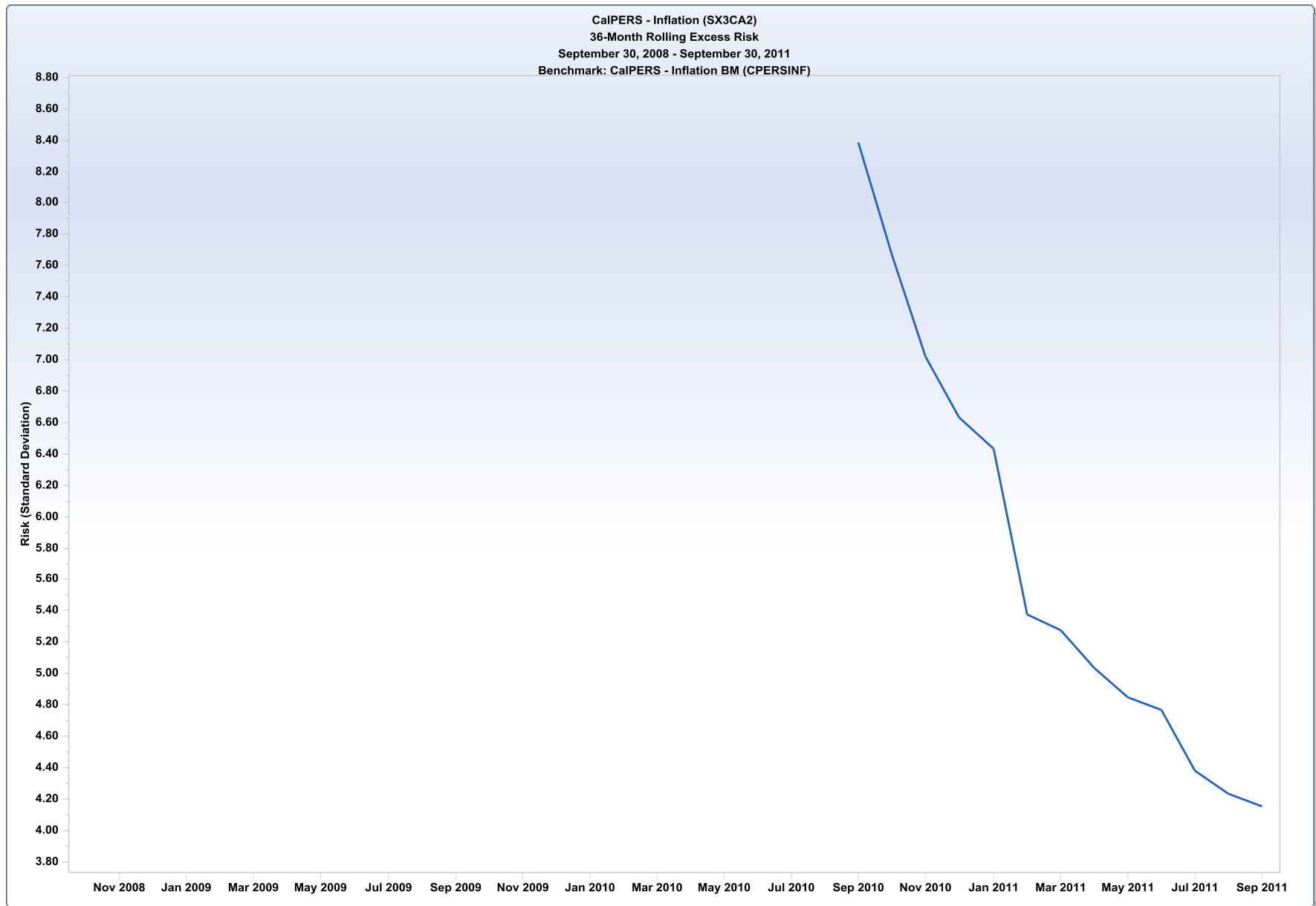
Inflation Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR⁴⁹	5-year Sharpe Ratio⁵⁰	5-year Info Ratio⁵¹
INFLATION	7.0	-2.7%	10.9%	0.3%	-.-%	-.-%	\$0.6 bil	N/A	N/A
<i>Inflation Policy Benchmark ⁴⁷</i>		-1.6%	6.9%	1.4%	-.-%	-.-%		N/A	N/A
<i>Value Added</i>		-1.1%	4.0%	-1.1%	-.-%	-.-%			
Commodities ⁴⁸	2.2	-12.2%	3.0%	-14.9%	-.-%	-.-%			
<i>GSCI Total Return Index</i>		-11.7%	2.9%	-15.9%	-.-%	-.-%			
<i>Value Added</i>		-0.5%	0.1%	1.0%	-.-%	-.-%			
Inflation Linked Bonds	4.8	2.3%	8.7%	7.2%	-.-%	-.-%			
<i>Custom Benchmark</i>		1.9%	7.8%	6.9%	-.-%	-.-%			
<i>Value Added</i>		0.4%	0.9%	0.3%	-.-%	-.-%			

Inflation – Rolling Excess Returns



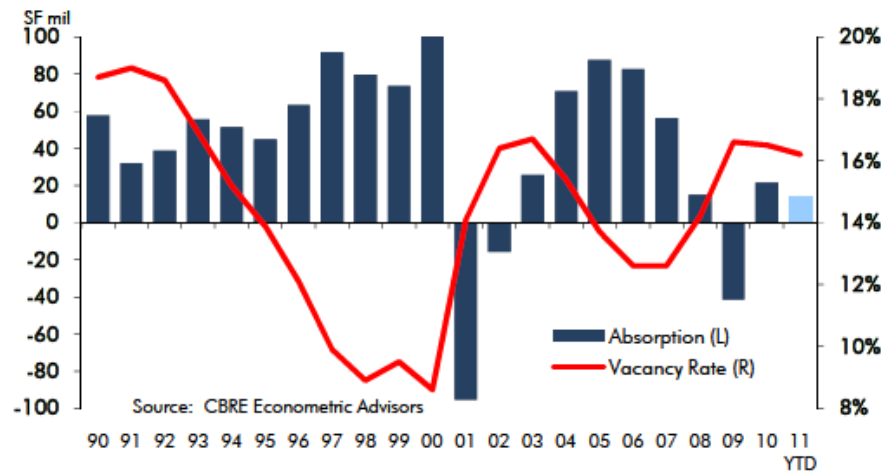
Inflation – Rolling Tracking Error



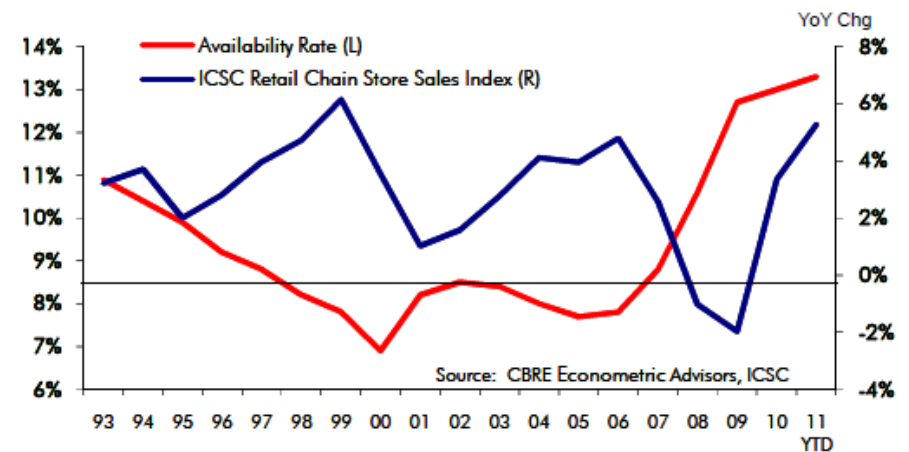
Commercial Property *(as of Q2 2011)*



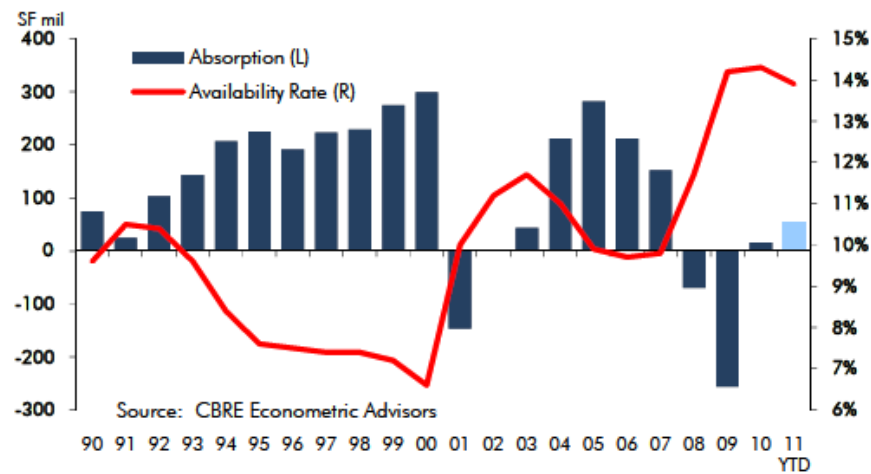
Office



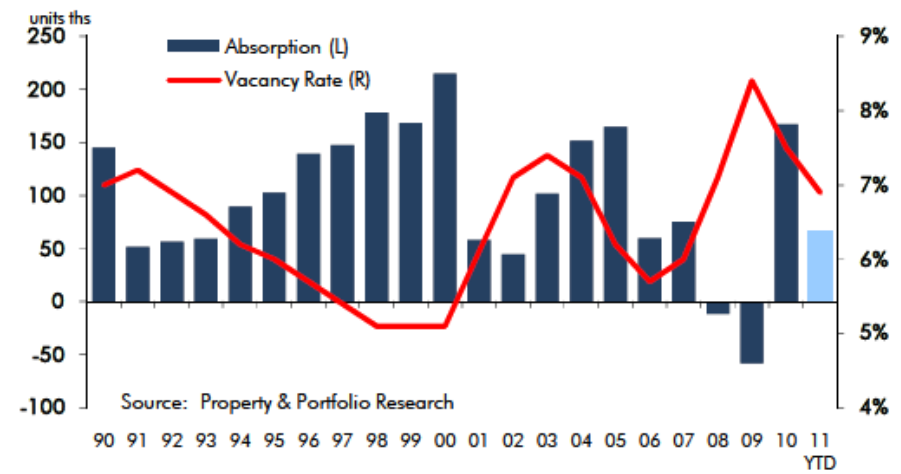
Retail



Industrial



Apartment

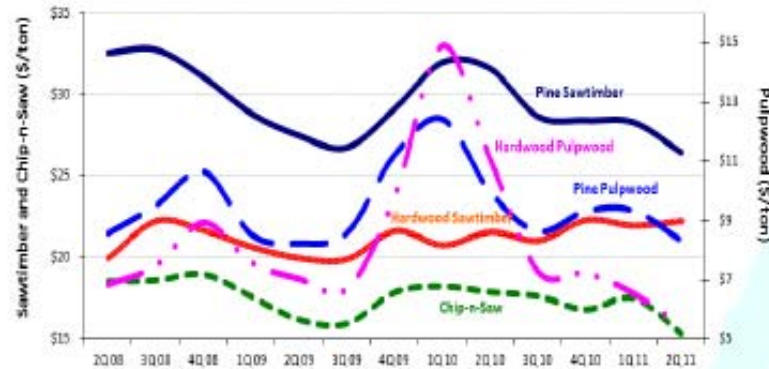


Data sources: CB Richard Ellis

Timber

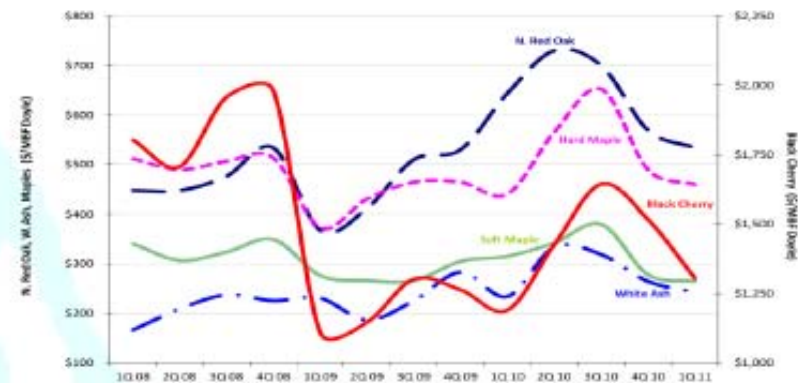


Southeastern Timber Prices



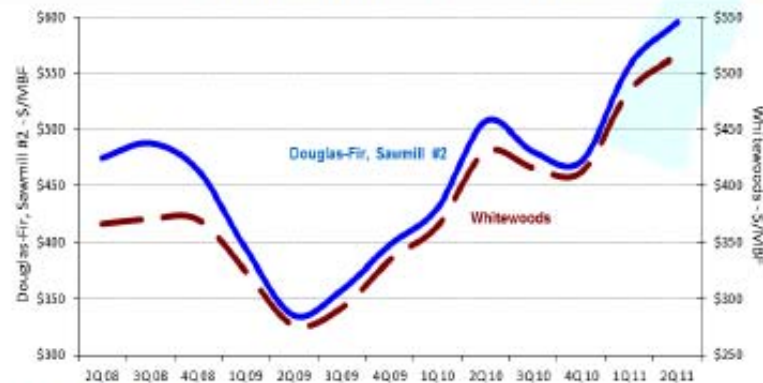
Source: Forest2Market®

Northeastern Hardwood Timber Prices



Source: Pennsylvania Woodlands Timber Market Report - Northwest Region

Pacific Northwest Timber Prices



Source: Log Lines®

Inflation (CPI)

Source: <http://www.bls.gov/cpi/home.htm>

Forest Investment Associates

- 7 -

2nd Quarter – 2011

Data sources: Forest Investment Associates

Infrastructure

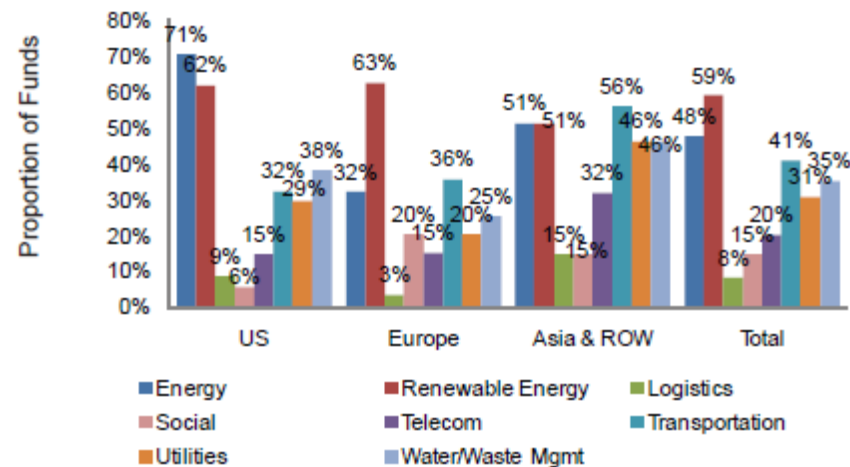


Fig. 1: Key Facts: Unlisted Infrastructure Funds on the Road

Funds on the Road	US	Europe	Asia and Rest of World	Total
Number	34	59	41	134
Total Target Value (\$bn)	32	35.7	26.4	94.1
Average Target Size (\$bn)	0.94	0.61	0.64	0.70

Source: Preqin

Fig. 3: Industry Preferences of Infrastructure Funds on the Road by Region



Data sources: Preqin



Real Assets – Performance

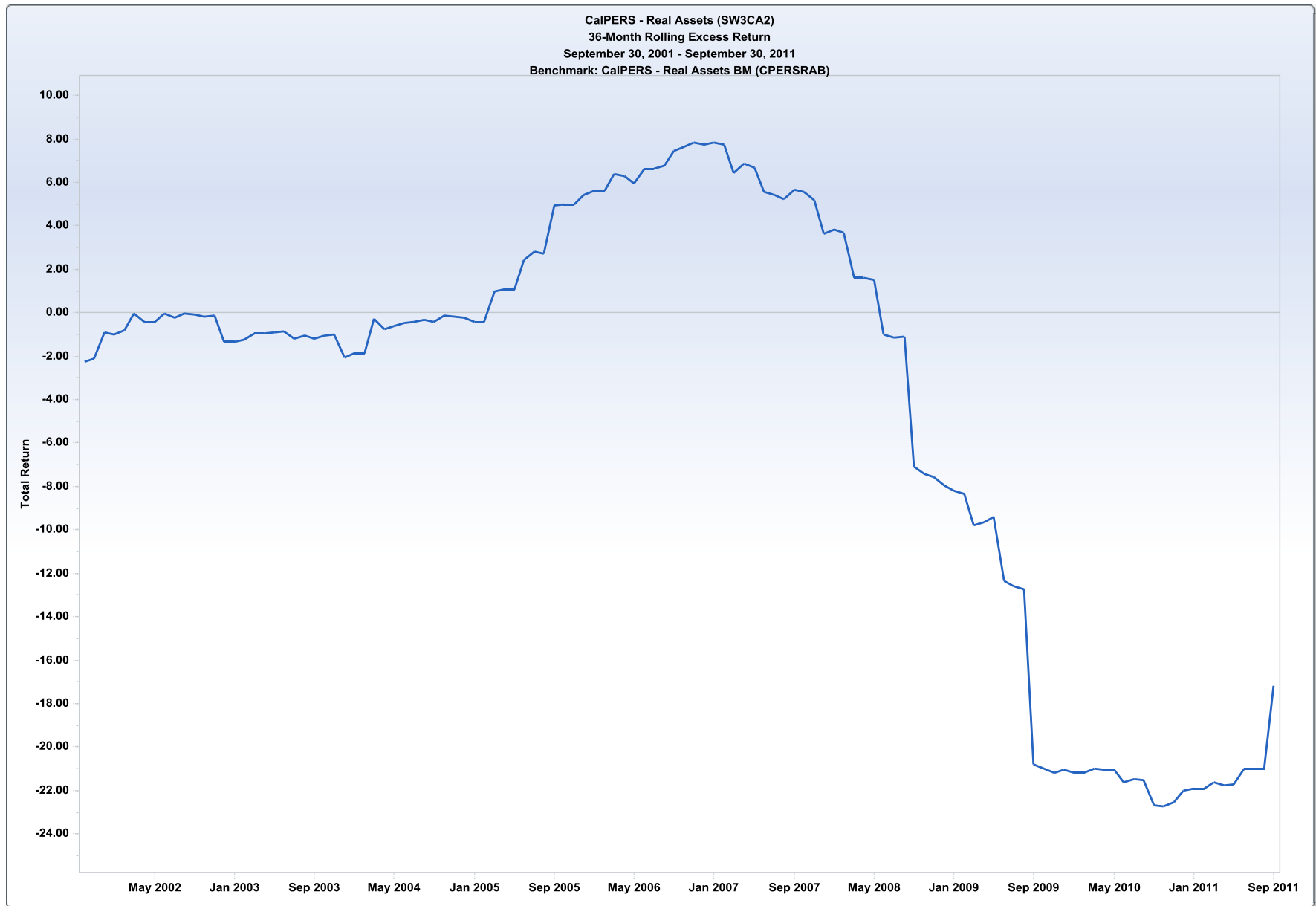
	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR⁵⁶	5-year Sharpe Ratio⁵⁷	5-year Info Ratio⁵⁸
REAL ASSETS	22.1	2.4%	12.9%	-17.2%	-10.8%	3.0%	\$2.5 bil	-0.8	-1.2
<i>Real Assets Policy Benchmark⁵²</i>		2.3%	15.4%	0.0%	5.4%	9.7%		0.5	0.0
<i>Value Added</i>		0.1%	-2.5%	-17.2%	-16.2%	-6.7%			
Real Estate⁵³	19.1	2.6%	14.1%	-19.4%	-12.5%	1.9%	\$2.7 bil	-0.8	-1.2
<i>Real Estate Policy Benchmark⁵⁴</i>		2.7%	16.9%	0.1%	5.0%	8.4%		0.4	0.0
<i>Value Added</i>		-0.1%	-2.8%	-19.5%	-17.5%	-6.5%			
<i>TUCS Real Estate Median</i>		2.0%	15.1%	-5.3%	-1.3%	6.4%			
Forestland⁵⁵	2.3	0.3%	-2.4%	-0.2%	-.-%	-.-%			
<i>NCREIF Timberland Index</i>		0.7%	8.1%	5.9%	-.-%	-.-%			
<i>Value Added</i>		-0.4%	-10.5%	-6.1%	-.-%	-.-%			
Infrastructure⁵⁵	0.7	16.1%	66.4%	26.3%	-.-%	-.-%			
<i>CPI + 400 BPS 1Qtr Lag</i>		1.2%	8.7%	6.1%	-.-%	-.-%			
<i>Value Added</i>		14.9%	57.7%	20.2%	-.-%	-.-%			



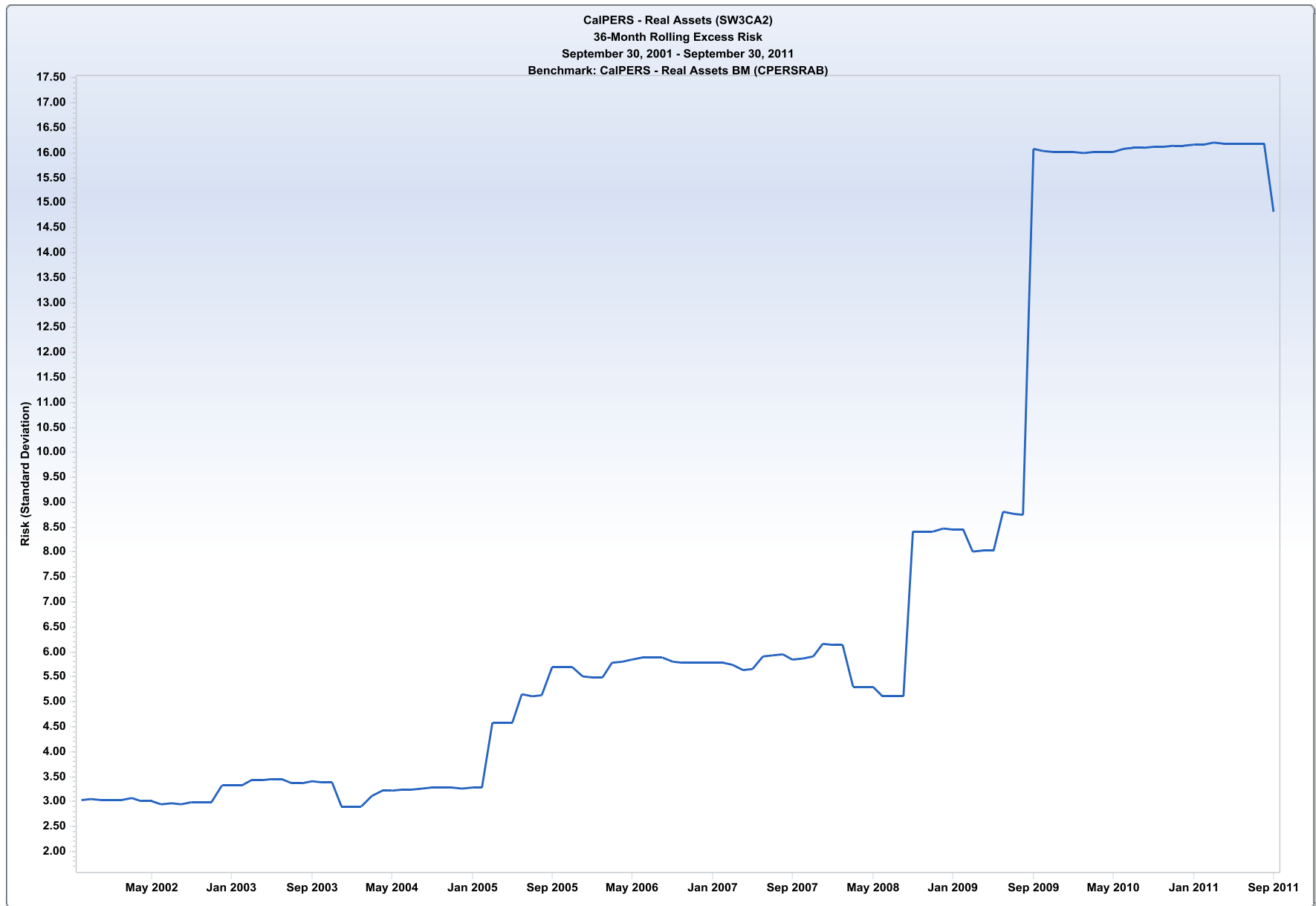
Real Estate – Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR⁶¹	5-year Sharpe Ratio⁶²	5-year Info Ratio⁶³
Real Estate ⁵⁹	19.1	2.6%	14.1%	-19.4%	-12.5%	1.9%	\$2.7 bil	-0.8	-1.2
<i>Real Estate Policy Benchmark ⁶⁰</i>		2.7%	16.9%	0.1%	5.0%	8.4%		0.4	0.0
<i>Value Added</i>		-0.1%	-2.8%	-19.5%	-17.5%	-6.5%			
<i>TUCS Real Estate Median</i>		2.0%	15.1%	-5.3%	-1.3%	6.4%			
Core Real Estate Ex-Public REITS	6.4	1.5%	29.9%	-16.5%	-5.8%	6.0%			
<i>NCREIF Property 1 Qtr Lagged</i>		3.9%	16.7%	-2.6%	3.4%	7.6%			
<i>Value Added</i>		-2.4%	13.2%	-13.9%	-9.2%	-1.6%			
Value Added	1.8	28.4%	-.-%	-.-%	-.-%	-.-%			
<i>NPI 1 Qtr Lagged + 200BPS</i>		4.4%	-.-%	-.-%	-.-%	-.-%			
<i>Value Added</i>		24.0%	-.-%	-.-%	-.-%	-.-%			
Opportunistic	9.6	3.4%	6.5%	-23.2%	-19.4%	-3.4%			
<i>NPI 1 Qtr Lagged + 400BPS</i>		4.9%	21.3%	1.3%	7.6%	11.9%			
<i>Value Added</i>		-1.5%	-14.8%	-24.5%	-27.0%	-15.3%			
Public REITS	1.1	-17.3%	-6.9%	-0.2%	-5.1%	-.-%			
<i>FTSE EPRA/NAREIT DE Index</i>		-17.3%	-6.9%	-0.4%	-4.1%	-.-%			
<i>Value Added</i>		0.0%	0.0%	0.2%	-1.0%	-.-%			

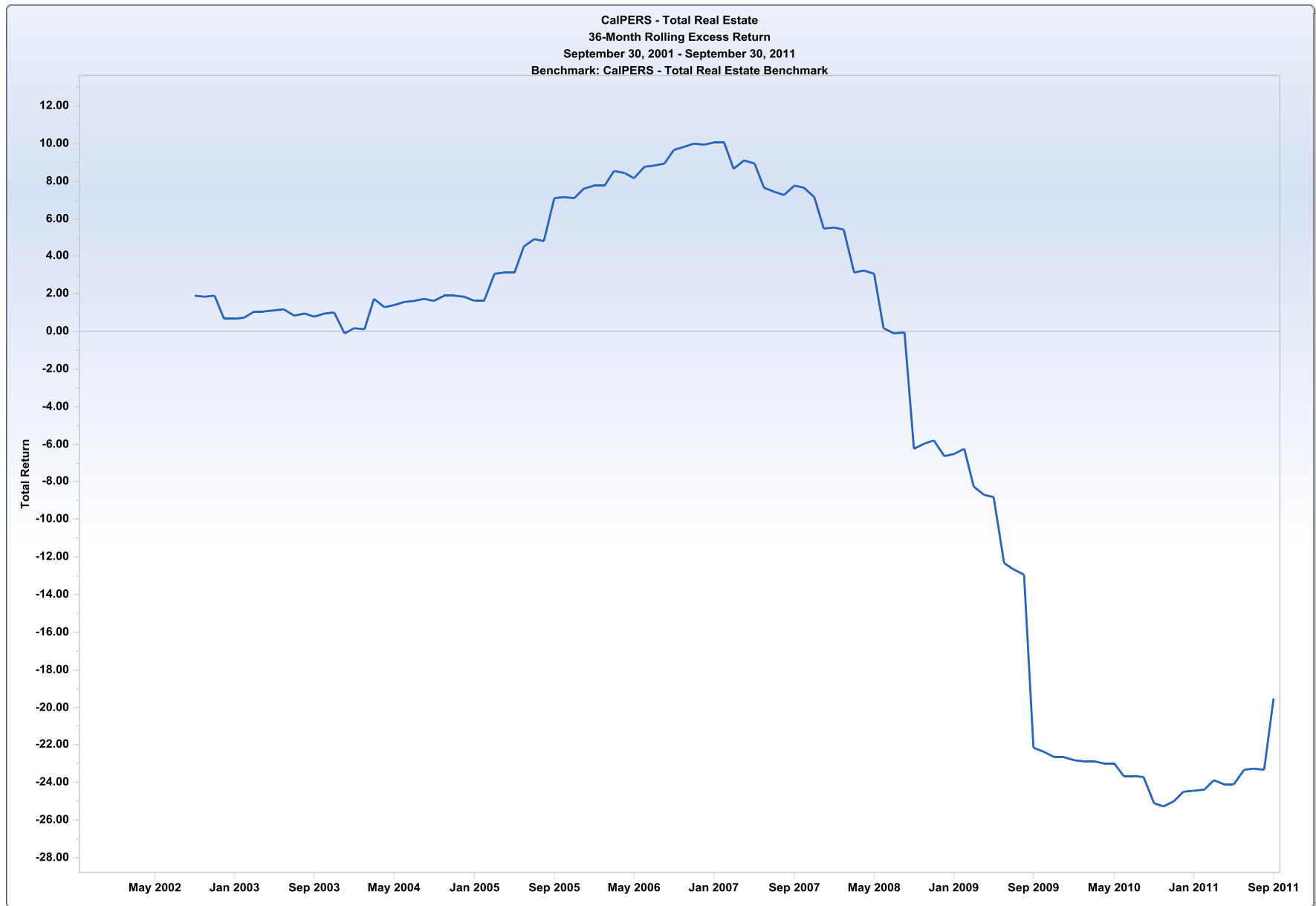
Real Assets – Rolling Excess Returns



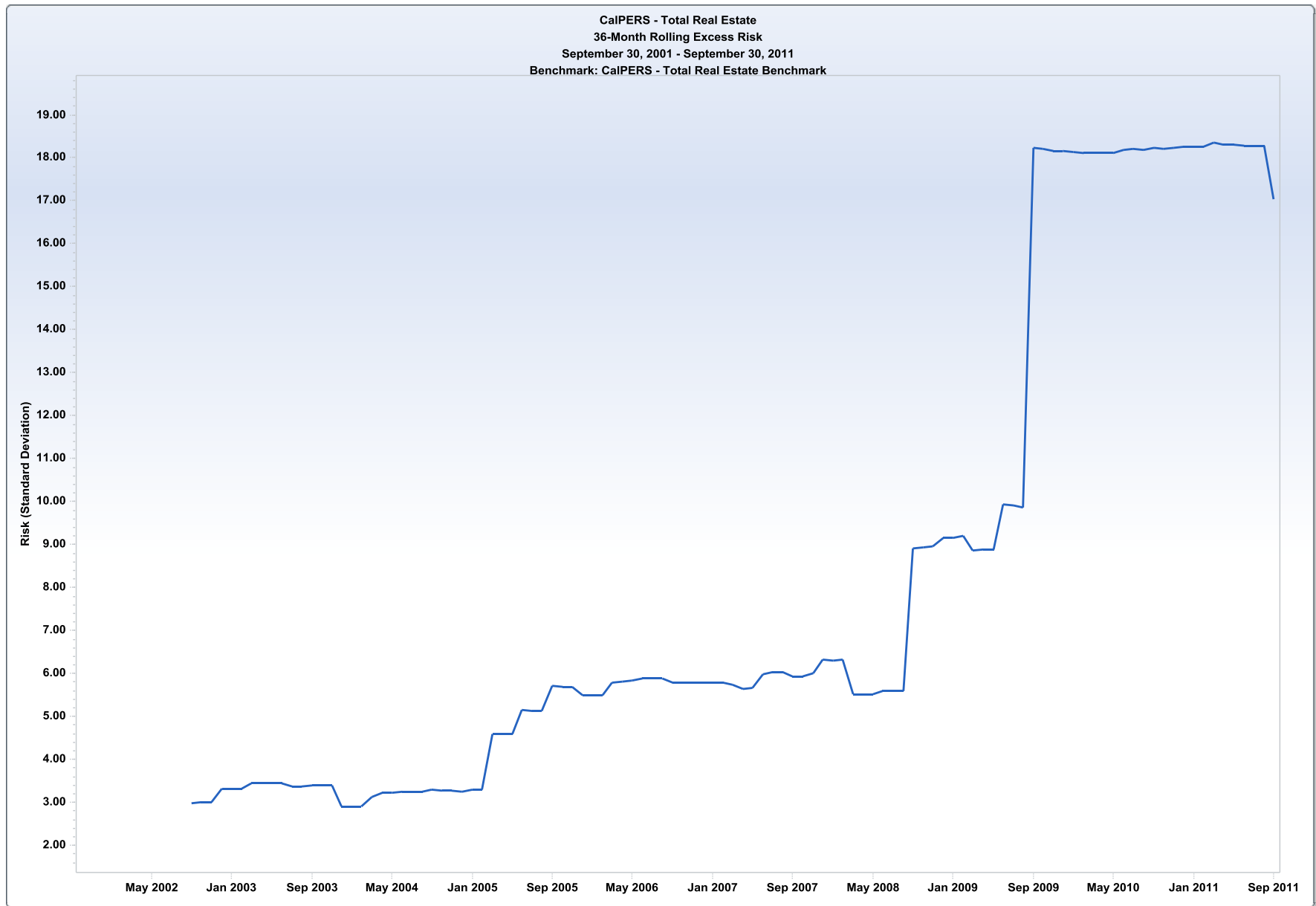
Real Assets – Rolling Tracking Error



Real Estate – Rolling Excess Returns



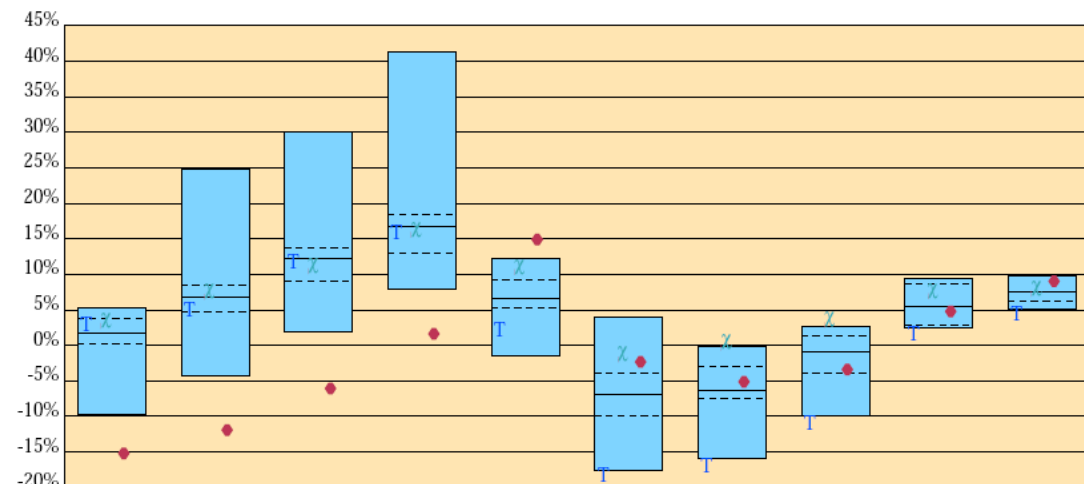
Real Estate – Rolling Tracking Error



Real Estate – Universe Comparison



California Public Employees Retirement
Real Estate Returns of Public Funds > \$10 Billion
Rates of Return for Periods Ending September 30, 2011



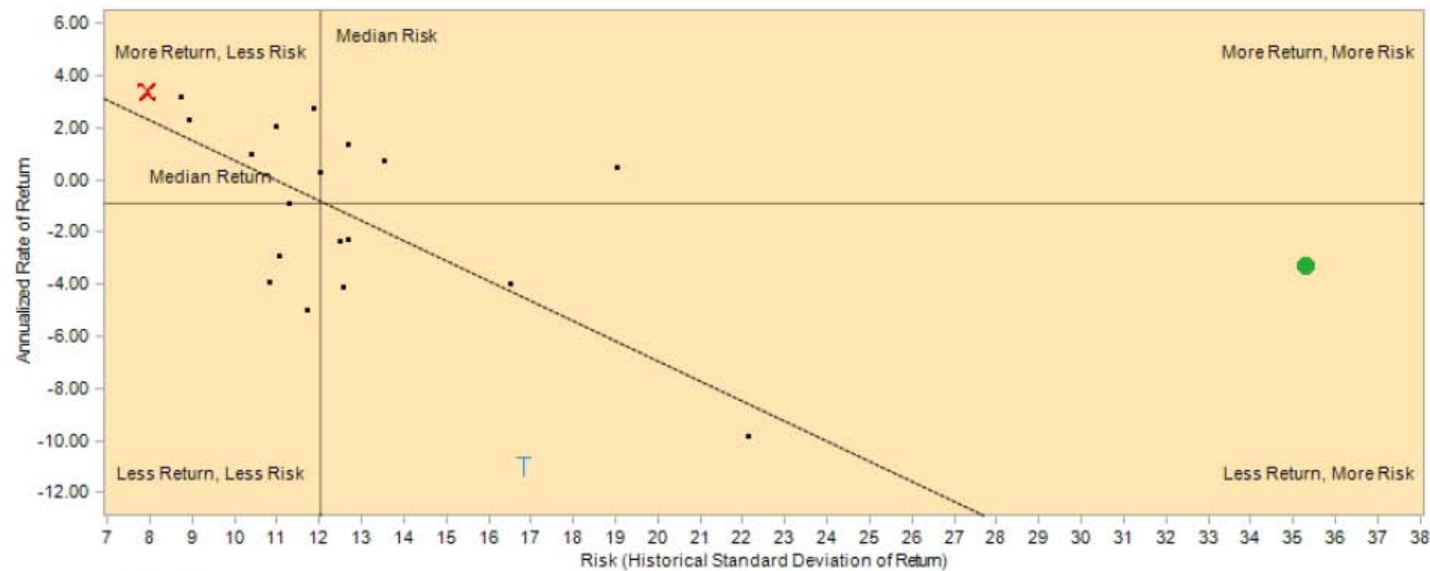
	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	5.33	24.84	30.03	41.41	12.18	3.95	-0.07	2.72	9.36	9.73
25th Percentile	3.69	8.48	13.71	18.44	9.15	-3.87	-2.89	1.35	8.64	9.71
Median	1.80	6.81	12.25	16.77	6.61	-6.90	-6.38	-0.88	5.51	7.60
75th Percentile	0.16	4.79	9.12	12.89	5.19	-9.88	-7.51	-3.95	2.84	6.31
95th Percentile	-9.75	-4.30	1.92	7.84	-1.51	-17.68	-15.84	-9.83	2.51	5.04
T Total Plan - Composites	2.99(35)	5.11(67)	11.84 (54)	16.00 (58)	2.28 (84)	-18.19 (99)	-16.98 (99)	-10.99 (99)	1.68 (99)	4.39 (99)
X NCREIF Property Index	3.30(32)	7.37(32)	10.98 (54)	16.10 (58)	10.85 (20)	-1.45 (5)	0.19 (1)	3.40 (1)	7.48 (33)	7.82 (41)
● Wilshire RESI	-15.08 (95)	-11.78 (99)	-5.93 (100)	1.76 (100)	15.03 (1)	-2.20 (12)	-4.98 (40)	-3.27 (68)	4.91 (58)	9.16 (33)

Returns for periods greater than one year are annualized.

GOF returns are used in universe comparison.

Real Estate – Risk and Return

California Public Employees Retirement System
 Risk vs Total Real Estate Returns of Public Funds > \$10 Billion
 5 Years Ending September 30, 2011



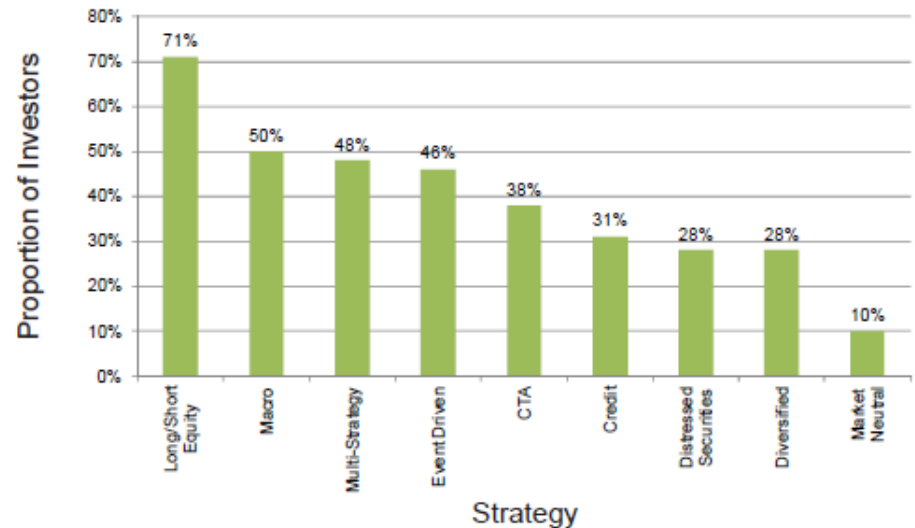
	Risk Value	Risk Rank	Return Value	Return Rank
T Total Plan - Composites	16.83	12	-10.99	99
X NCREIF Property Index	7.92	100	3.40	1
● Wilshire RESI	35.30	1	-3.27	68
Median	12.02		-0.88	

Hedge Fund Performance



September 30, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
DJ CS Hedge Fund Index	-4.8	-3.2	1.3	4.6	4.2	6.6
Event Driven Index	-10.9	-9.7	-4.3	3.6	3.9	7.4
Global Macro Index	4.4	5.8	9.8	9.3	9.3	10.9
Long/Short Equity Index	-9.8	-9.1	-3.7	3.2	3.0	5.9
Multi-Strategy Index	-3.7	0.5	4.6	6.2	4.0	6.5
Wilshire 5000	-15.0	-9.9	0.6	1.5	-0.8	3.8
MSCI ACWI ex-US (\$g)	-19.8	-16.5	-10.4	1.0	-1.1	7.3
Barclays Aggregate Bond Index	3.8	6.6	5.3	8.0	6.5	5.7
Dow Jones UBS Commodity Index	-11.3	-13.6	0.0	-5.7	-1.1	5.9

Fig. 2: Strategic Preferences of Funds of Hedge Funds



Source: Preqin

Fig. 1: Key Facts: Funds of Hedge Funds

Mean AUM (\$bn)	2.3
Average number of hedge fund investments in portfolio	42
Average maximum lock-up period accepted by funds of hedge funds (months)	18

Source: Preqin

Data sources: Wilshire Compass, Preqin

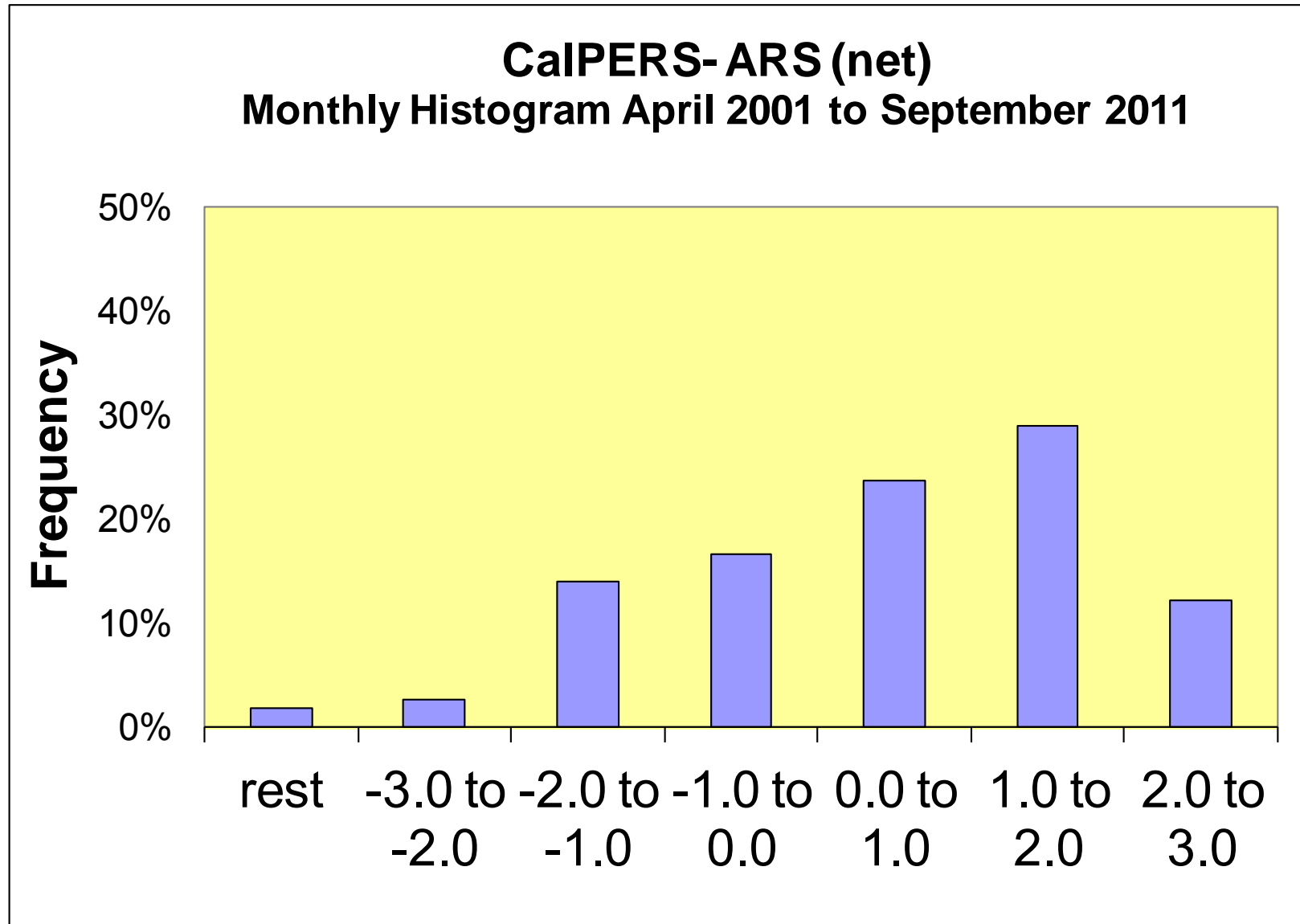
ARS – Distribution of Performance



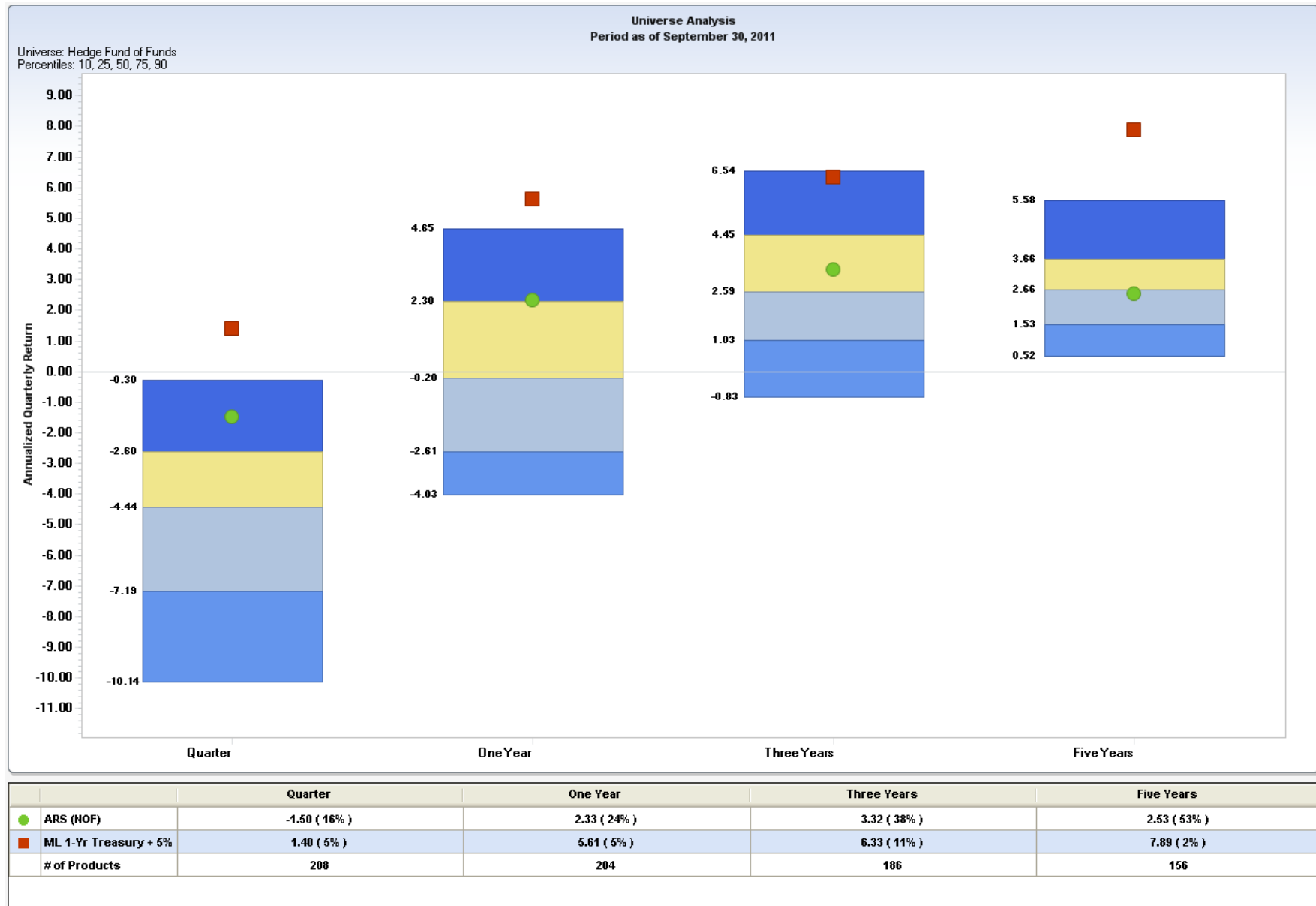
	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>5-Year Info Ratio³²</u>	<u>5-Year Up Capture Ratio</u>	<u>5-Year Sharpe Ratio³³</u>	<u>5-Year Sortino Ratio³⁴</u>
Absolute Return Strategies	5.3	-1.5%	2.3%	3.3%	2.5%	-0.7	0.3	0.1	0.2
ARS Policy Benchmark ³¹		1.4%	5.6%	6.3%	7.9%				
Value Added		-2.9%	-3.3%	-3.0%	-5.4%				
Total Direct Investments	3.8	-1.2%	3.7%	4.6%	3.2%				
Total Emerging Fund of Hedge Funds	1.5	-2.3%	-0.7%	0.3%	1.2%				
HFRI Fund of Funds Index		-4.4%	-1.4%	0.3%	0.5%				

<u>Rolling Correlations vs. Index</u>					
<u>Percentage of positive Months</u>	<u>Beta vs. S&P 500</u>	<u>W5000</u>	<u>PERS 2500</u>	<u>Domestic Fixed Index</u>	<u>MSCI AW X US</u>
66%	0.3	0.7	0.7	0.3	0.8

ARS – Histogram of Monthly Returns



ARS – Universe Comparison



ARS – Rolling 3-Year Ranking vs. HFOF Universe

